

Poverty, Social Exclusion and Modernity

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1. Poverty, social exclusion modernization, and modernity

Modernity and modernization

This course deals with an old subject, with a new (but not necessarily original) twist: modernity, an ancient concept in spite of its name, and its impact on poverty and social exclusion in the 21st century. “Modernity” is an old concept, and an early references being probably from “La Querelle des Anciens et des Modernes” of the 17th century (*La querelle des anciens et des modernes* 2003). It was a literary debate, about tradition and innovation in art, but its implications were much broader: should art be a constant reenactment of the classic traditions, or should the artist try to innovate? For the Ancients, everything was already said, and innovations could never be more than a surrender to temporary and ephemeral fashion; for the moderns, there was no point in trying to emulate the elders, when there was a whole new world to be created and discovered. The questioning of past models challenged the notions of tradition and authority, and implied a belief in progress and constant improvement of mankind. The quarrel of the Ancients and moderns announced the philosophy of Enlightenment

Since then, with the French revolution, industrialization and the enlightenment, the use of this concept becomes widespread, in history, literature and, more recently, in the social sciences (Wagner 2001) A recent search at the US Library of Congress shows the existence 1,455 books with “modernity” in their title, and another 1,599 with “modernization”. A search through the latest marvel of modernity, Google, finds 635 thousand links to modernity, and 1,230 thousand to “modernization” in the Internet. Is it possible to add anything new to this sea of publications and information? Is it not perhaps time to accept that these concepts have exhausted their usefulness, and move into

something new and different – post-modernity? But here again, the debate on the end of the modern era is endless, and the literature on post-modernism, immense.

The reason why these concepts refuse to go away, and appear here once more, is that the hopes, promises and frustrations they bring are as present today as they were centuries ago, and cannot be pushed aside as we try to make sense of the issues of poverty, social exclusion and their consequences in the contemporary world. We have to go back to these old notions, not to try to define or interpret them in a better way, but to make clear and understand the links between the current predicaments and dilemmas and their broader origins.

The terms “modernity”, “modern” and “modernization” exist in the realm of ideas, as values and moral statements about human life; as a description of a specific way of life, typical of some societies and periods of time; and as an interpretation of a broad process of social change. “Modernity” or “modernists”, in the first sense, are persons who refuse to live by old and traditional canons, and value innovation, change, and progress. Historians use the term “modern” to refer to the period when these attitudes and values became dominant in Western Europe, which goes from the end of the Middle Ages to the French Revolution, when begins what they call the “contemporary” period.

Values and interpretations about the world come hand in hand. The modernists believed that the world was changing from “traditional” or “ancient” to “modern” times, instead of being always the same, or moving in circles or cycles.. More specifically, starting with the European Renaissance, this change was interpreted as leading to the increased use of rationality, as an instrument to understand and master the world, and of individuality. In ancient societies, people lived according to their traditions, in a world dominated by transcendental powers, and bound to a destiny defined by birth. With modernity, the world becomes open for understanding through the use of science and rationality, and its resources and powers can be put to the use of mankind. At the same time, birth ceases to be the source of destiny. Through work, dedication and the use of intelligence, it is possible to transcend one’s conditions, and take responsibility for one’s life.

This change of perspective was associated with deep and long-lasting social and economic transformations in European societies. The old medieval order was shattered by the emergence of the commercial city states, and the old political regimes, based on the traditional powers of the landed nobility, was replaced by different combinations of centralized nation-states, administered through efficient bureaucracies and professional armies, and new forms of political representation, with the growing influence of new commercial and industrial elites. The European world was expanding, thanks to the new navigation technologies and the entrepreneurial, or adventurer spirits of the Spanish and Portuguese conquistadores; natural philosophy, based on the empirical observation of the world and the use of mathematical reasoning for its interpretation, was replacing the speculative and religious traditions, based on the ritual reading of old books and the established authority of the priests. The general belief was that these changes were for the good, and were described in terms of “progress” and “evolution”. Later, economists started to talk about “economic development”. Much more recently, social scientists adopted the term “modernization”. According to Wilbert Moore, after the Second World War,

The use of the term “modernization” symbolized the participation of social scientists besides economists in analyzing the general characteristics of modernity. Although economic development, including industrialization in the narrow sense of manufacturing, was taken to be a prime ingredient of modernity, wide-ranging structural features that set modernized societies apart from traditional or less developed societies were explored. Thus, modernized societies are characterized by such structural features as formal systems of graded education; mobile nuclear families, with extended kinship relatively weak and discretionary; political systems capable of mobilizing diverse and often divisive populations toward programmed change (...) (Moore 1978)

The anti-modernist view

The opposition between tradition and modernity tends to be associated with conflicts of generation – the elders committed to the old ways, the young excited by the new opportunities and endless horizons; the elders more pessimistic about the powers of mankind, the young more confident on their own strength; the elders emphasizing social

integration and community life, the young emphasizing individual initiative and creativity. To describe the anti-modernist view, we could look for old conservatives, like Joseph de Maistre (1753-1821) and Louis de Bonald (1754-1840) in France, or Edmund Burke (1729-1797) in England; or to a large number of contemporary writers, social scientists and social thinkers dedicated to criticize the modern notions of social development and social improvement, and to stress the values of an older and simpler life. In his introduction to *The Post Development Reader*, an extraordinary collection of such writings, Majid Rahnema, a distinguished Iranian intellectual, tells us, with modernization,

A merciless war was waged against the age-old traditions of communal solidarity. The virtues of simplicity and conviviality, of noble forms of poverty, of the wisdom of relying on each other, and of the arts of suffering were derided as signs of ‘underdevelopment’. A culture of ‘individual’ success and of socially imputed ‘needs’ led younger men to depart their villages, leaving behind dislocated families of women, children and older men who had no one to rely on but the promises of often unattainable ‘goods’ and ‘services’ (...) (Rahnema and Bawtree 1997)

We can refer as well to a recent fictional character of Nobel Prize winner J. M. Coetzee, Elizabeth Costello. She refuses the notion that mankind, because of its ability to think, is superior to other animals, and have the right, and the ability, to conquer and dominate nature for its purposes. Abstract thinking is one feature of human beings, but not the most important. She attacks Descartes, the main philosopher, perhaps, of modern rationalism:

“*Cogito, ergo sum*”, he also famously said. It is a formula I have always been uncomfortable with. It implies that a living being that does not do what we call thinking is somehow second class. To thinking, cogitation, I oppose fullness, embodiedness, the sensation of being – not a consciousness of yourself as a kind of ghostly reasoning machine thinking thoughts, but on the contrary the sensation – a heavily affective sensation – of being a body with limbs that have extension in space, of being alive to the world (Coetzee 2003).

The book character attacks reason on the name of life, human or animal, with which she fills connected. Her sister, Blanche, older still, and a Catholic nun working in a hospital in Africa, goes a step further. She mentions “those young men, heir of the humanists”,

who come to Africa from Oxford and Cambridge and try to convince the Zulus to come to their schools. If you do, they say, “we will make you disciples of reason and the sciences that flow from reason; we will make you masters of nature. Through us you will overcome disease and corruption of the flesh. You will live for ever”. Well, she says, showing the hospital buildings around her, full of children dying from AIDS. “This is the reality: the reality of Zululand, the reality of Africa. It is the reality now and the reality of the future as far as we can see. Which is why African people come to the Church to kneel before Jesus on the cross, African women above all, who have to bear the brunt of reality. Because they suffer and he suffers with them”. To the people who come to the hospital, she says, “I promise nothing except that we will help them bear their cross” (p. 141).

There are no clear winners or losers in the struggle between reason, individualism and optimism, on one side, and feelings, emotion, communal life and pessimism on the other. Nor are the dividing lines as clearly defined as this stylized description could suggest. Religion can be associated with pessimism and passivity, but also with unbounded optimism, if not arrogance. The Westerns who came to Africa to bring their schools also brought their gospels and destroyed the local culture, like the conquerors who decimated the Incas and the Aztecs in the name of King and God. On the other extreme, Max Weber, the great sociologist of Western modernization, was also pessimistic and critical of the disenchantment produced by rationality, in the absence of the purifying renewal of charisma. On the pitfalls of anti-modernism, we must remember that, in Germany, the rise of Nazism was proceeded by an extremely articulated attack on the modernist and rational tradition, in the name of nature, life, culture and *Heimat* (Ringer 1990). The modernists and rationalists, in turn, are the builders of modern empires, and the developers of the Atom bomb.

If one is not better than the other, and if they are not as distinct and opposite as they seem, why bother? Why not throw the polemics around modernism to the dustbin of worn-out issues, like the old ideological disputes between left and right, or conservatives and liberals? The answer is that, contrary to what some supporters of post-modernism may believe, the agenda set forth by the “modernes” in the 17th century has not been exhausted, and cannot be abandoned. What characterizes the modern times is not the

victory or the dominance of the “modern” over the “traditional”, but the unavoidable coexistence and tension among them. It is not possible to believe, still, in the forthcoming millennium of a perfect society, governed by reason and rationality, and harvesting the benefits of scientific knowledge and advanced technology to the benefits of all; but it is not possible to go back to the old, organic, spiritual or communitarian societies proclaimed by the traditionalists, which in fact never existed. To be modern, to borrow the expression proposed by Marshall Berman twenty years ago, is a “mode of vital experience” described by “an environment that promises us adventure, power, joy, growth, transformation of ourselves and the world – and, at the same time, that threatens to destroy everything we have, everything we know, everything we are (...) To be modern is part of a universe in which, as Marx said, ‘all that is solid melts into air.’” (Berman 1988)

This means, in practical terms, that we have nothing better than our ability to analyze and understand our world in order to deal with it. It also means that, while doing so, we must be aware of the limitations of modernism, both in terms of its consequences, and of its redeeming powers. We cannot step outside the modern condition, but we can try to be *reflexive* about it. To be reflexive means at least two things. One is to look at modernity not only in terms of its promises, but also of its pitfalls. The second is to look at ourselves in terms of our own role in the unfolding of the modernist (or modernization) drama. Bruno Latour, in a small but powerful book, argues that modernism proposes a rigid separation between the world of knowledge and the world of things, which leads to great freedom to deal with things, as if they existed independently of us, and could be manipulated at will. However, he says, the world is full of hybrids, combinations of nature and culture, social institutions and technological artifacts, and every time more so. Modernism was a powerful illusion, that allowed the hybrids to be forgotten or denied as part of “nature”, of which the moderns had no responsibility, but could use and exploit for their own benefit. This freedom, however, no longer exists, requiring a new, non-modern (but not post-modern) humanism (Latour 1993)

The modern view of society: Adam Smith

Adam Smith is usually considered the first author to propose a interpretation of the workings of modern society, offering a comprehensive theory of how wealth and progress can be created, and how these activities relate to government and to society as a whole. Writing in England in the 18th century, when the first industrial revolution was gathering strength, he argues that men, by their nature, need only freedom to follow their passions and interests to make the economy grow and progress to take place. There is a natural drive for people to look for food, and, beyond that, to look for power, prestige and recognition, through the accumulation of wealth. This drive leads mankind through a succession of phases of development – hunting, cattle raising, agriculture, commerce, and, finally, industry, each developing their own institutions. In industrial societies, the accumulation of capital allowed for specialization, division of labor and exchange of all products in the market, to the benefit of all. While each man looks for his own interest, an “invisible hand” makes sure that everybody benefits; altruistic behavior, actions directly aimed to enhance the common good, on the other hand, are likely to fail:

But it is only for the sake of profit that any man employs a capital in the support of industry; and he will always, therefore, endeavour to employ it in the support of that industry of which the produce is likely to be of the greatest value, or to exchange for the greatest quantity either of money or of other goods. (...) He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. By preferring the support of domestic to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good. It is an affectation, indeed, not very common among merchants, and very few words need be employed in dissuading them from it (Smith 1993)

This is the beginning of rational choice theory, the notion that society should be understood as the aggregate outcome of individual decisions, not only economics, but also in politics and the social sciences; of the belief that, the less government there is, the better; and of the notion that institutions, culture, ideologies and value systems can only play useful roles if they are aligned and contribute to the enhancement of the natural drives of individuals and free market exchanges; otherwise, they are likely to hamper and limit the possibilities of rational and wealthy societies to develop.

In her introduction to Smith's *The Wealth of Nations*, Kathryn Sutherland says that

The final effect of Smiths rhetoric is to signal a shift in the social role of economic activity itself at this point in the late 18th century, a shift which assumes the abolition of a traditional regulatory system at the same time as it describes (but in fact prescribes) a new model of financial enterprise. It is this model which is comprehensively endorsed in terms of a whole range of naturalizing strategies – in terms of human nature; in terms of natural law; inevitably, freely, even innocently of intended outcome; and, paradoxically, in terms of moral approval. The inclusiveness of these strategies ensure de impossibility of imagining any alternative social, political or economic structure (Sutherland 1993).

Marx, the modernist

Seventy years after Adam Smith's death, capitalism had expanded enormously, but, instead of well-being and prosperity, Europe was immersed in poverty and civil war. The Communist Manifesto, written by Karl Marx and Friedrich Engels in 1848 in those turbulent years, is considered one of the most powerful expressions of the tensions and dilemmas of contemporary societies. In his short introduction to the text, David McLellan notes that none of the ideas in the Manifesto were new, being a synthesis of Marx's previous works which incorporated, in turn, concepts on history and class that were common among socialists of the time, particularly in France. He also notes that, although Marx and Engels continued to recognize the Manifesto as the expression of their views, "they would subsequently have wished to modify some of its ideas – particularly (in the light of the Paris Commune) those relating to the proletariat's appropriation of the state

apparatus and the rather simplistic statements on the immiserization and class polarization” (Marx and Engels 1977)

Marx is notorious for the failure of his political propositions and prophecies, but the strength of Marxism does not depend on its proposals for the future, or on its interpretation of the past, but mostly on its vision and criticism of the capitalist society. This criticism was not done from outside, in the name of an old and better past in which Marx never believed, nor in the name of a future utopia, which some of his contemporaries tried to spell out, but he despised. Like the classic economists he studied, Marx looks at capitalism with fascination, seduced by its power to liberate the energies of nature and society, while, at the same time, pointing out its internal contradictions and predicting its demise. In the Manifesto, he does not talk so much about capitalism as an economic and social system, but mostly about the bourgeoisie as a social actor, “which cannot exist without constantly revolutionarizing the instruments of production, and thereby the relations of production, and with them the whole relations of society”:

Constant revolutionarizing of production, uninterrupted disturbance of all social conditions, everlasting uncertainty and agitation distinguish the bourgeois epoch from all earlier ones. All fixed, fast-frozen relations, with their train of ancient and venerable prejudices and opinions, are swept away, all new-formed ones become antiquated before they can ossify. All that is solid melts into air, all that is holy is profaned, and man is at last compelled to face with sober senses, his real condition of life, and his relations with his kind” (p. 224).

This view of the evanescent nature of the achievements of the bourgeoisie is that separates Marx from modernization apologists like the classic economists, urban reformers, city planners and natural scientists, who believed in the gradual conquest of nature and mankind by the advancement of science and technology, and, as pointed out by Marshall Berman, brings him closer to “modernism in art, culture and sensibility” – to authors like Baudelaire, Flaubert, Kierkegaard, Dostoevsky and their heirs, who looked at the achievements of capitalism and the bourgeoisie with a similar combination of awe, hostility and fear (Berman 1988). This is the inheritance of Marx, according to Berman:

The great gift he gave us today (...) is not a way out of the contradictions of modern life but a surer and deeper way into these contradictions. He knew that the way beyond the contradictions would have to lead through modernity, not out of it. He knew we must start where we are: physically naked, stripped of all religions, aesthetic, more haloes and sentimental veils, thrown back on our individual will and energy, forced to exploit each other and ourselves in order to survive; and yet, in spite of all, thrown together by the same forces that pull us apart, dimly aware of all we might be together, ready to stretch ourselves to grasp new human possibilities, to develop identities and mutual bonds that can help us hold together as the fierce modern air blows hot and cold through us all (p. 129).

The powers of the proletariat

The reason why the bourgeoisie cannot survive its own success, for Marx, is that it is destined, by its own internal logic, to build a strong proletariat, which, at the same time, it cannot sustain, and will eventually destroy it. The description given in the Manifesto of the raise of the proletariat is paradoxical. Basically, it is a descent from previous forms of disguised domination and alienation to outright and naked exploitation. Step by step, complex societies are turned into a simple polarity between bourgeois and proletarians. “The lower strata of the middle class – the small tradespeople, shopkeepers, and retired tradesmen generally, the handicraftsmen and peasants – all these sink gradually into the proletariat. (...) “Thus the proletariat is recruited from all classes of the population”. Now, “owing to the extensive use of machinery and to division of labour, the work of the proletarians has lost all individual character, and, consequently, all charm for the workman. He becomes an appendage of the machine, and it is only the most simple, most monotonous, and most easily acquired knack, that is required of him” ((Marx and Engels 1977)

But it is worse than that. The same devilish logic that leads capitalism to periodically destroy its own institutions and organization, leads to the growing exploitation of the proletariat. The modern laborer, says Marx, in one of his most notorious wrong predictions, “instead of rising with the progress of industry, sinks deeper and deeper below the conditions of existence of his own class. He becomes a pauper, and pauperism develops more rapidly than population and wealth”. “The development of Modern

Industry, therefore, cuts from under its feet the very foundation on which the bourgeoisie produces and appropriates products. What the bourgeoisie, therefore, produces, above all, is its own grave-diggers. Its fall and the victory of the proletariat are equally inevitable”.

But how can the proletariat, so exploited, deprived of their skills, reduced to pauperism, dominate and bury the bourgeoisie? There are two answers to this, one more sociological and explicit, and the other more philosophical and hidden. The explicit answer is the growing concentration and equalization of industries, and the destruction of all classes besides the bourgeoisie and the proletariat. With the development of industry, says the Manifesto, “the proletariat not only increases in number: it becomes concentrated in greater masses, its strength grows, and it feels that strength more”. Old differences disappear, including those related craft, religion and nationality, and the workers start to get organized in unions, to fight for better working conditions “Of all the classes that stand face to face with the bourgeoisie today, the proletariat alone is the really revolutionary class. The other classes decay and finally disappear in the face of Modern Industry: the proletariat is its special and essential product.”

The hidden, more philosophical answer about the powers of the proletariat has to do with the notion that, with the breakdown of the old order, brought about by capitalism, “man is at last compelled to face his real conditions of life, and his relations with his kind”. The mature Marx resisted the temptation to talk about an ideal of mankind and society outside history, and never elaborated very much about how the future, classless society would be organized. His view, however, can be seen in the text on the Jewish question, one of his earlier writings:

The actual individual man must take the abstract citizen back into himself and, as an individual man in his empirical life, in his individual work and individual relationships, become a species-being; man must recognize his own forces as social forces, organize them, and thus no longer separate social forces from himself in the form of political forces. Only when this has been achieved will human emancipation be completed (Marx 1977).

By destroying all other forms of social institutions, by reducing political, religious, intellectual and cultural institutions to their naked essence, exploitation, capitalism would finally make mankind to see itself in the naked, and, from there, to find the way recreate itself into an fully emancipated social community. This future community would not be like the old ones, since it will would be based on advanced science and technology, freeing people from the need to spend they lives trying to escape from deprivation; but, in another sense, it would be very much like the mythical traditional communities of so many anti-modernists, places where people could live in peace and harmony with nature and each other, without the need or compulsion to express their individual projects and identities.

The social scum

Marx looks at the bourgeoisie with admiration, as the respected enemy - powerful, implacable, and limitless. In one hundred years, says the Manifesto, it has “created more massive and more colossal productive forces than have all preceding generations together. Subjection of Nature’s forces to man, machinery, application of chemistry to industry and agriculture, steam-navigation, railways, electric telegraphs, clearing of whole continents for cultivation, canalization of rivers, whole populations conjured out of the ground – what earlier century had even a presentiment that such productive forces slumbered in the lap of social labor?” (p. 225). The proletariat would inherit all these achievements, and put them to good use. Other classes, relics of previous centuries and other forms of social organization, would disappear.

The harsher words in the Manifesto do not go to the bourgeoisie, but to “the ‘dangerous classes’, the social scum, that passively rotting mass thrown out of the lowest layers of society”. This is the *lumpenproletariat*, which neither Marx nor his contemporaries considered as part of the working class. Politically, it could eventually be part of the proletarian revolution: “its conditions of life, however, prepare it far more for the part of a bribed tool of reactionary intrigue” (p. 229).

One looks in vain, through Marx's texts, for an analysis or description of this group. Some references appear in his writings on French politics. In one place, he describes the deterioration of the traditional agricultural order under the onslaught of the bourgeoisie:

To the four million (including children, etc.) officially recognized paupers, vagabonds, criminals and prostitutes in France must be added five million who hover at the margin of existence and neither have their haunts in the countryside itself or, with their rags and their children, continually desert the countryside for the towns and the towns for the countryside
(Marx 1977)

In another text, on the class struggles in France, he does not talk directly about the *lumpenproletariat*, but to its counterpart among the powerful, the finance aristocracy. These people, says Marx, are concerned only with getting rich, "not by production, but by pocketing the already available wealth of others". Through them, "an unbridled assertion of unhealthy and dissolute appetites manifested itself, particularly at the top of bourgeois society – lusts wherein wealth derived from gambling naturally seeks its satisfaction, where pleasures becomes debauched, where money, filth and blood commingle. The finance aristocracy, in its mode of acquisition as well as in its pleasures, is nothing but the rebirth of the *lumpenproletariat* on the heights of the bourgeois society." Through them, "on the most prominent states of bourgeois society, the same scenes were publicly enacted that regularly lead the lumpenproletariat to brothels, to workhouses, to lunatic asylums, to the bar of justice, to the dungeon, to the scaffold"
(Marx 1977).

One is struck by the puritanical and moralistic tone of these texts. Finance capitalists (many of them Jews, like Rothschild, who is named personally) and the *lumpenproletariat* were not seen as legitimate players in the construction of modernity, like industrialists and proletarians, and could only be treated with rejection and contempt. Finance capitalists were not much of a problem, since they were bound to disappear together with the end of private property, capitalism and their associated institutions, including Christendom and Judaism. Marx did not know what to do, however, with the growing lumpenproletariat and their irresponsible, lascivious and debauched behavior,

which would growth completely out of proportion as capitalist extended its presence throughout the world.

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Poverty, Social Exclusion and Modernity

Simon Schwartzman

2 - Poverty and industrial development in Europe at the onset of modernization.

Two major themes follow from this initial overview modernity and modernization. First, economic growth: how come that some societies, or nations, become rich, while others do not? Second, poverty: how is it that, together with wealth, poverty also grows in some places and for some groups? Is poverty an inherent counterpart, the dark and inevitable side of capitalist development, as Marx has argued? Or, is it just a temporary malfunction, likely to be overcome as the full potentialities of economic growth can be implemented.

The mystery of growth: nature and culture, individuals and institutions

Robert Skidelsky, in a review of two recent books on economic growth, shows how explanations for the “mystery of growth” can be presented in terms of two main intellectual traditions, one preferred by economists, the other by sociologists (Skidelsky 2003).

The economist’s tradition dates back to Adam Smith: for him, economic growth is a natural process, a consequence of capital accumulation through the aggregation of individual decisions, based on the exercise of their rational, individual preferences. For the individuals to work in peace, governments are necessary, to defend the country, to protect the individual rights of citizens, to erect and maintain the institutions and public works necessary for the free exercise of commerce and industry, and to educate the young. It is also necessary “to support the dignity of the Sovereign”, as a recognition of

his symbolic value¹. To do all this, governments have to raise taxes, which, however, should not be very high, so as not to jeopardize business. "Little else is requisite to carry a state to the highest degree of opulence from the lowest barbarism, but peace, easy taxes, and a tolerable administration of justice; all the rest being brought about by the natural course of things." State intervention in the economy, as practiced by the mercantilist states, like Spain and Portugal, were criticized as profitable only to a few, but detrimental to society as a whole.

From the initial formulations of Adam Smith, the economists' explanations for economic growth became extremely complex and sophisticated, generating a large literature. A good example can be found in the introduction of David Landes' classic study of the Industrial Revolution in Europe (Landes 2003). What was, exactly, the core of this revolution? And why did it start in England, and not in other places?

Like Marx and the classic economists, Landes believes that the core of industrial revolution is the growth of the "productive forces" in society, expressed, however, not just in terms of capital accumulation, but of three key technological innovations – the replacement of human skills by mechanical tools, the replacement of human and animal energy by inanimate sources – particularly the steam engines - and the improvement in the methods for extracting and transforming raw materials, particularly in the metallurgic and chemical industries. Because of these changes in the productive forces, institutions had to adapt –factories had to be reorganized, and the old craftsmen had to be replaced by the industrial worker. The movement of raw materials, from their origins to the factories, and the delivery of industrial products to the markets, required complex networks of

¹ "In an opulent and improved society, where all the different orders of people are growing everyday more expensive in their houses, in their furniture, in their tables, in their dress, and in their equipage, it cannot be expected that the sovereign should alone hold out against the fashion. He naturally, therefore, or rather necessarily, becomes more expensive in all those different articles too. His dignity even seems to require he should become so. (...) We naturally expect more splendor in the court of a king than in the mansion-house of a doge or burgo-master (Smith 1993).

transportation, and a new division of labor between regions and countries. More broadly, industrialization was accompanied by an ample process of modernization, which led to the demise of the old aristocracies, the strengthening of the nation states, social mobility, and individualism. Competition among industries led to continuous efforts to improve technologies, and to generate more wealth. This is what made the industrial revolution unique, compared with other periods of technological change and economic growth: it created a process of self-sustained and cumulative advances in technological innovation, with no limits in sight.

At the end of the 19th century, and later with the 1929 world economic crisis, many predicted that this self-sustained process was reaching its limits. However, other industrial revolutions – the second, based on the internal combustion engine; the third, based on new innovations chemistry, electricity and energy supply, and certainly the fourth, not mentioned by Landes, based on the advances of Information Technology – were proofs that there was no limit to human creativity and inventiveness, since Prometheus broke his chains in the 18th century. As productivity increased, their benefits could be spread out to everybody, and, contrary to the pessimistic views of the past, industrial growth would bring better living conditions to everybody.

He saw two problems, however, as threatening the continuous progress of this wonderful virtuous cycle of growth and prosperity. One was the harm that could be brought about by politicians and policy makers; the other, the cultural and mental barriers that kept many societies and people isolated and unable to benefit from the bounties of the industrial revolution. On the first point, Landes followed the lead of the classic work of Joseph Schumpeter, also a strong believer in the power of human creativity and technological development, but a pessimist regarding the social and political conditions threatening the development of capitalism. Capitalist competition, said Schumpeter, is not just about prices and market shares, but, essentially, about “the new commodity, the new technology, the new source of supply, the new type of organization” (Schumpeter 1947), constantly superseding the old ways and institutions. This is what he called “the process of creative destruction” led by individual entrepreneurs, the new bourgeoisie. But, as capitalism grows, he said, it becomes stifled; the entrepreneur is replaced by the

bureaucrat; old politics and aristocratic values resurface; intellectuals, groomed by the expansion of education and the book and communications industry, undermine the ethical legitimacy of capitalist entrepreneurship. In the end, he concluded, “there is not so much difference as one might think between saying that the decay of capitalism is due to its success and saying that it is due to its failure”. Landes refutes this pessimism, and reinstates his belief in the powers of rationality, technological development, individual entrepreneurship, and change.

The second problem was why some societies were able to embrace capitalism, rationality and individual entrepreneurship, while others were not. Here, Landes uses two types of argument. One is historical, about the peculiar conditions of England in the 18th century, and its differences with France and other European countries, having to do with things like the relative absence of wars, the inflow of foreign craftsmen, and the facilities created by navigation. The other, more interesting to us, are the issues related with values and culture, for which Landes has to abandon the strict economic view, and enter in the realm of the sociology.

This sociological tradition is best associated with Max Weber, with his emphasis on culture, values, and institutions. For Weber, individual self-interest was not enough to generate accumulation of wealth. In all societies, some people have always enjoyed the comforts of wealth and easy life, but only in Western Europe (and, more recently, in some Asian countries) did economic growth take place. Capitalist accumulation, argued Weber, was not the simple outcome of the aggregation of individual self-serving actions, but of virtues like hard work, austerity, and abstinence of mundane pleasures, put to the service of long-term achievement. Weber identified these virtues as part of the Protestant ethics, an outgrowth of the early Jewish and Christian traditions, and other authors, looking at Japan, tried to find its functional equivalent in the value systems of the Samurai (Bellah 1971).

Values and motivations, however, do not appear in the vacuum, but need a proper ground to take root and prosper. Weber linked the development of individual initiative and entrepreneurship to political decentralization, present both in the days of early

Judaism and in feudal Europe. From these historical and cultural roots, Western Europe moved from the Middle Ages to the industrial revolution and the creation of the modern nation states, which he considered as part of a very broad process of “rationalization”. Weber was an evolutionist, but, differently from Adam Smith, Marx and most 18th and 19th century thinkers, he did not assume that all societies would go through the same evolutionary phases, and end up in the same way. On the contrary, he looked at China and India, with their Confucian and Buddhist traditions, as civilizations that followed different paths and were not destined, therefore, to develop the same kind of modern institutions. Beyond the analysis of individual ethics in the Jewish-Christian, Confucian and Buddhist traditions, and their relations with economic behavior, Weber compared how these societies developed their political institutions, and their political, priestly and administrative elites. In Western Europe, rationalization included the morally-driven entrepreneur, the emergence of empirical science, the growth of the modern professions, legal institutions, and new forms of political organization, based on rational-legal domination and efficient public bureaucracies. Modern, industrial societies were created by this peculiar combination of elements, which did not develop elsewhere.

Was the Western tradition superior, in any way, to the others? To Landes, following Marx, the simple answer is yes. For Marx, capitalism was the most advanced stage in human development, before socialism. For Landes, there is no doubt that rationality is better than irrationality, science better than magic. Western societies were able to unleash the powers of rationality, while others did not. Weber, however, would be more careful. For him, the choices between a life of intense achievement or a life of contemplation, the cultivation of the past or the faith in the future, the total belief in the powers of instrumental rationality or in the values of tradition and individual charisma, are matters of substantive values that should be left to individual preferences. Rationality, for Weber, was not a goal by itself, but a means to other ends, and a society which relied exclusively on rationality was bound to become sterile, without energy, and easy prey to outbursts of the old idols of tradition and charisma.

The two books reviewed by Skidelsky are a modern rendition of this classic debate. For Liah Greenfield, economic growth should be explained by a typical European

cultural feature of modern times, nationalism, which was supposed to have created the social and institutional basis for capitalism – egalitarian membership of citizens in the nation state, social mobility, and power and prestige to merchants and entrepreneurs, against the traditional aristocracies (Greenfeld 2002). In this, she opposes the economists, for whom growth is a natural process, as well as the sociologists in the Weberian tradition, who seek explanations in individual motivations and behavior, not in collective institutions.

Skidelsky is not convinced. Nationalism is a recent phenomenon, associated with the French Revolution and the emergence of the modern nation states. Much before that, however, by 1600, England was already starting its economic growth. Imperial Russia, on the other hand, was an example of nationalism without the right institutions or the appropriate individual values, and a clear case of economic failure. We could add another example, the United States, which developed its economy with a reduced state and as an inward-looking, self-sufficient society. European nationalism, he argues, is not the cause, but the consequence of a larger historical process of capitalist development:

From the ruins of the Roman imperium emerged feudalism, a fragmented, overlapping system of jurisdictions and states held together by Christianity; parts of that system had by the early sixteenth century coalesced into intensely competitive national monarchies. Feudalism checked arbitrary rule, leaving space for the growth of free cities, pan-European markets, and private property rights; military competition between states stimulated national feeling and turned the attention of rulers to augmenting the stock of national wealth, because of the close connection between wealth and power. Thus national identity and the growth-minded "spirit of capitalism" can be seen as joint products of European rivalry among states. In economic jargon, nationalism is a dependent, not an independent, variable. It is connected to growth through the competition of states (Skidelsky 2003).

Skidelsky frees us from the need to go through the heavy mathematical modeling of Nobel Prize Winner Robert E. Lucas by providing us with his main conclusions, which, for the non-specialist, do not seem very different from those of Adam Smith, Schumpeter and Landes (Lucas 2002). Economic growth, for Lucas, is the consequence of the individual's commitment to the values of achievement, efficiency and rationality.

These attitudes are more present in some countries than in others, and that is why some countries are poor, and others are rich. Poverty is a temporary condition of some nations today, while the benefits of the Industrial Revolution are a permanent boon to mankind. Skidelsky concludes his review by saying that

‘Lucas’s book is an outstanding intellectual achievement. But its propositions are likely to be fully persuasive only to those who already inhabit his mental universe. These people will applaud his heroic attempt to derive the history and prospects of growth solely from attempts by households to maximize their well-being. Others will object to the use of overambitious, over-simplified generalizations to explain the complex behavior of the real world.’

We can conclude this discussion by stressing that, in spite of their differences, all these authors shared a similar world view. For all of them, the superior power of capitalism to harness the resources of nature and to spread its influence towards the rest of the world was undeniable, the same as its potential for destruction. They were all caught in the dilemma of Faust, so well summarized by Marshall Berman: the fascination with the powers of rationality, initiative and the ability to intervene and control nature; the frightening costs and dangers of this enterprise; and their inability – and here I include Weber as well – to see or imagine other possibilities, other forms of social and economic life, except as deviations of modern rationality, and, therefore, without a future.

The problem is that these “other forms” of social and economic life are not the exception, but the rule. Adam Smith and Marx believed that all the countries in the world would, inevitably, follow the European path of industrial development and rationalization. Weber showed how modern rational, capitalist societies evolved from the unique political and cultural environment of Western Europe, but did not consider the possible developments coming out of other cultures and other historical contexts. For him, there were different types of traditional societies (patriarchal, feudal, and patrimonial) and different religious traditions (Confucian, Buddhist, Jewish-Christian, Muslim) but only one modern society, the rational, modern, industrialized European nation states. If modern society came out of the peculiar European history, what could have happened with other societies? Would they remain “traditional” forever? Would they, eventually, shed their cultural idiosyncrasies, and converge to the Western model of

“natural” rationality? Or would they evolve in their own way, following different paths from those of Western Europe, and developing a different kind of modernity? The expansion of capitalism from its European cradle to the rest of the world would bring these issues to the forefront.

Imperialist expansion in the age of capital.

In the 19th century, with the consolidation of the industrial revolution and the introduction of new navigation and communication technologies, the international expansion of European capitalism changed in scale, becoming much more intense, and penetrating deeply in the rest of the world. Eric Hobsbawm describes this process in “The World Unified”, a chapter in *The Age of Capital*, an expression he uses to describe the period between 1848 and the economic crash of 1875 (Hobsbawm 1996). Earlier, the ruthless expansion of national markets in Europe led to revolutionary movements and popular uprisings which, in 1848, swept almost simultaneously what is today Germany, Austria, Italy, the Czech Republic, Hungary, parts of Poland, and affected Switzerland, Belgium and Denmark. The revolutions failed or were crushed as rapidly as they started. The backlash opened the way for strong national states that consolidated their internal markets and brought the more radical members of their populations under control. New, centralized national states were created – German and Italy – while Russia, with the modernization of St. Petersburg, started its dramatic drive to catch up and join the selected group of European powers. Britain, Russia, France Austria and Prussia fought each other for hegemony, strengthening their armies, organizing their governments, mobilizing their population, and stimulating their economies.

In spite of intermittent wars, the period between 1815 and 1915 is described as “unusually peaceable century without the fear of a general war that was the landmark of the 20th century” (p. 77). The international order established in those years was not just the consequence of the balance of power among the main countries, but also the product of several institutions that were created to facilitate international trade and interchange, starting with the use of the British Pound, pegged to gold, as a world currency; international banking (first privately, through the Rothschild family, and later through the

creation of national central banks²); and institutions such as the Universal Postal Union (1875), International Telegraph Union (1865) and the International Meteorological Association (1878). Major technological innovations and improvements – steamships, railroads, and the telegraph – contributed to this process of globalization. As described by Hobsbawm, “during the 1870s an annual quantity of about 88 million tons weight of seaborne merchandise were exchanged between the major nations, as compared with 20 million on 1840” (p. 50). In 1872, thanks to the advances in railways construction, Jules Verne’s Phileas Fogg was able to travel around the world in 80 days, something completely impossible in 1848. After the 1870s, steamships replaced sail ships in international routes, increasing tonnage, reducing travel time, and improving reliability. In the 1840s, the telegraph was developed, and by the 1870s, thanks to an impressive network of undersea cables, it linked Europe with most of the world’s cities in America, Asia, Africa and Australia.

As trade intensified, local elites in Asia, Africa and Latin America became much closer to the European centers, while their distance from their local populations, in lifestyle and outlook, tended to increase. Missionaries, businessmen and civil servants moved from England and France to other parts of the world, forcing their presence by military means if necessary. New boundaries and local administrations were created according to the convenience of European powers, cutting the links of populations with similar culture, or forcing the coexistence of different cultures, values and religious beliefs. By the early 19th century, the old Portuguese and Spanish colonies in America became independent states, under British protection and supervision; China, India and Egypt were forced to admit the presence of European merchants and political representatives, and ended as part of the European empires – India with its British viceroy, China under the tutelage of Western interests. This is how Hobsbawm describes the situation in China and Egypt:

² On the history of European central banks and their relationships with their governments, see (Bopp 1944)

Both were independent states based on ancient civilizations and a non-European culture, undermined by the penetration of western trade and finance (accepted willingly or under duress) and powerless to resist the military and naval forces of the west, modest though those mobilized against them were. The capitalist powers at this stage were not particularly interested in occupying and administering either, so long as their citizens were given total freedom to do what they wanted, including extra-territorial privileges. They merely found themselves drawn into growing involvement in the affairs of such countries by the crumbling of indigenous regimes under the western impact, as well as by the rivalries between western powers.” (p. 131).

For the local elites, the options were to resist Western penetration, which they were powerless to do; to adopt fully the western civilization, transforming their societies into full national, modern markets, which was also beyond their powers; or to try to develop some kind of social reform that could incorporate the most obvious good features of western society – modern technologies, public administration, business practices, weapons and military practice – without losing their traditional grip and links with their own population. This they tried, and failed, leading to a growing gap and intense conflicts between the culture and ways of life of the elites and their populations, a situation which, in most countries, has not improved since then.

The incorporation of the poor

With Adam Smith and his followers, for the first time in history, came the notion that poverty and destitution could disappear through modernization and economic growth, if only governments and people were rational enough not to oppose the natural drives of individual self-interest. At the same time, however, England was going through an extremely serious process of social dislocation, which started in the 16th Century with the enclosure of open fields in the countryside for sheep pasture, destroying the livelihood of the peasantry³. This process was intensified by the industrial revolution in

³ For a description of the traditional rural system in England and the Enclosure movement, see (Bradley 1968)

the 18th century, with the combination of population explosion and very intense migration from small towns and the countryside to the industrial centers. Instead of well-being, economic growth was creating misery and suffering. Was this something inherent, an essential component of modernization and economic growth? Or, was it just a temporary situation, a momentary glitch in an otherwise virtuous path of growing wealth, to the benefit of all?

This is the subject of the classic book of Karl Polanyi, written in the early 1940s, on *The Great Transformation* brought about by the creation of the market economy (Polanyi 2001). Marx, following Ricardo, believed that extreme poverty was an essential component of modern capitalism. The advance of technology created an “industrial reserve army” of unemployed workers who would work for any price, keeping the standards of living of the working class to the absolute minimum. Joseph Schumpeter, who questions this theory, shows that Marx could not use a non-economic explanation for poverty (such as the theory of population growth, adopted by Malthus) because impoverishment, and the subsequent revolt of the workers against the capitalists, was such a central element in his doctrine (Schumpeter 1947).

Polanyi, however, offered a different explanation. The classic economists and their followers, he argued, were mistaken in their belief that the natural condition of men was to bargain, negotiate and work for their private benefit – that is, to live in a market, as a *homo oeconomicus*. Markets, in the way they started to get organized in the 18th century, were a new phenomenon; poverty and misery were not caused by industrialization as such, but by the destruction of the old social order by the uncontrolled introduction of a new market economy.

In non-market societies, said Polanyi, the economy is not a separate realm from that of politics, religion and social conviviality; on the contrary, economic activities are *embedded* in social institutions, which also provide the individuals with their social identity and the conditions of personal survival. These institutions define the division of functions and labor in society, such as the roles of men and women in agriculture, hunting and childcare; complex family and hereditary lineages, defining who can marry

whom, and who is responsible for caring for the children, the elders and the infirm. They also define who has authority to settle disputes, and distribute resources according to perceived needs and the hierarchies of power and prestige. Polanyi summarized the immense variety of institutional arrangements in different societies with a few concepts: “symmetry”, the basis for reciprocity, “centrality”, the basis for redistribution; and “domesticity”, the basis for self-sufficiency of individual households. In all pre-market societies, products would be used for the consumption of the household; exchanged according to the traditions and rules of reciprocity, and given to the ruler for rituals, common activities, including warfare, and redistribution. Bargaining and purely economic exchanges, when they existed, were secondary activities, taking place on special occasions, or for a limited number of products.

The market economy was an attempt to create a completely different, radical innovation. Instead of economic transactions taking place within the framework of social institutions, the market takes over, by transforming land, labor and money into what he called “fictitious goods.” Polanyi offers two explanations for the spread of the market economy: one technical, in the tradition of technological determinism, the other political and institutional. The technical explanation had to do with the functional needs of an economy based on mechanical production. Machinery was expensive, requiring large investments and an assurance of future revenues. To be profitable in the wool industry, machines had to have people working on them all the time; and the supply of raw materials had to be stable and without interruption. Prices, salaries and supplies could not be established by administrative fiat, but settled according to the economic logic of supply and demand. As in Marx, the “productive forces” shaped the “productive relations”, the organization of society.

The second line of explanation, however, was different and original. For a market economy to function, it was necessary to create integrated national markets of goods, labor, land and capital. This was a complex political task, carried on by governments and the political and business leadership, and not a direct outcome of technological trends. National, integrated economies did not exist in Europe until the Industrial Revolution. Traditionally, there were two different types of markets. International markets were unregulated and competitive, very often predatory, dealing with special goods not available in the local economy; local markets, on the contrary, were strictly regulated, in

order not to disturb the traditional institutions of towns and the surrounding countryside. In the international market, land was open to conquest and occupation, while people could be captured and sold as slaves, merchandises like any other. In local markets, however, neither land nor labor were available for trade or looting. Land had always been the basis for hereditary authority and religious organization, the places where people had their houses, lived and worked for their survival; and people were attached to their communities and traditions, without the freedom or the need to move around in search of better salaries.

The creation of national markets, with the transformation of local land and labor into merchandises, was a consequence of the forceful introduction of the logic of international markets into the local economies, by breaking up the resistance of towns and municipalities. The first step of this transformation was the work of the Mercantilist states of the 16th and 17th century. They replaced the local monopolies, protections and regulations with national ordinances, concentrating power in the hands of the Crown, often in close partnership with merchants, and destroying, in the process, the communal basis for social organization. The second step, carried on in England in the 18th century, was the abolition of the detailed regulations of economic life, replaced by the free interplay of market interests.

Polanyi follows this process through the evolution of the Poor Laws in England, from the 16th century to their abolition in the early 19th century. The first period started with changes in rural life, through the transformation of open and communal fields into enclosed properties for sheep grazing and the production of wheat. This, said Polanyi, was a revolution of the rich against the poor, increasing the productivity of the fields, but destroying the social fabric of rural societies, forcing people out of their houses and their land. To compensate, the Crown established the first Poor Laws, requiring the municipalities to provide work to all able persons, to punish vagrancy, and to create asylums for the old, the infirm and the incapable. In 1563, a special “statute of the artificers” was established, requiring seven years of apprenticeship, making work mandatory for the artisans, with salaries established by the public authority. The last legal

instrument in this sequence was the Act of Settlement and Removal of 1662, which limited the freedom of people to move from their communities to other places.

Together, these legislations had the effect of slowing down the growth of the economy, and reducing its social costs. Polanyi approved of this. Contrary to many authors, who considered the mercantilist period of the Tudors and Stuarts as a time of conservatism and immobility, Polanyi believed that they embodied the best principles of statecraft of those times, helping in the immigration of foreign craftsmen, favoring new technologies, adopting new statistical methods and rigorous procedures in their reports, and limiting the traditional privileges of the Church and the nobility. For him, it was the role of government to change the speed of social change and to limit its damage; this was achieved, in a significant measure, by these policies.

Later on, however, with the expansion of industry and the introduction of modern machinery, all these protections, instead of helping the people, seemed to contribute to make their life worse. The last effort to resist the transformation of English society into a fully developed market was the Speenhamland legislation of 1795, which occupies a central place in Polanyi's work. This legislation made it mandatory for the municipalities to provide everybody with the minimum income necessary to buy bread, whether he had an employment or not. It created, as it were, a new right, the "right to live", to be supported with public money. Polanyi, following the dominant view among historians and economists of his time, considered the Speenhamland legislation a "mortal trap", a "social catastrophe" that increased the misery of workers and created chaos in the British economy, until its abolition in 1834. With the worker's subsistence guaranteed, employers could reduce their salaries at will, and nobody had to be concerned about being fired from their job. Productivity sunk, population expanded, and misery reached extreme levels.

In 1834, after a report by a Royal Commission on the negative effects of the Poor Laws, they were abolished, and replaced by what became the full expression of the liberal view. The "right to live" ceased to exist. Those who could not work could still be protected by society, entering an asylum where living standards had to be lower than what one could get from a salary. Otherwise, it was up to the market to decide who should work, where, and for what price. Free from the constraints of labor protection, modern capitalism could grow and prosper at last, and enter the 20th century with the hope of closing the long cycle of suffering and misery of the working class. To do this,

however, other forces of moderation regarding the destructive forces of the market had to be built, through the organization of the workers in trade unions and the beginnings of the welfare state.

The English debate on the Poor Laws and on the consequences of Speenhamland is not different from the present discussions about the relative advantages and pitfalls of free and regulated markets, and the role and effects of social welfare; and remains mostly a matter of ideologies, based on controversial evidence. Today, we know that the old consensus about the disastrous effects of that legislation, which Polanyi accepted, was not based on a proper analysis of the data collected by the Royal Commission, but on the prejudices of the time, which its members shared. When the data were properly analyzed in the 1960s, the results were very different. As told by Mark Blaug,

“No matter which authority we consult on the English Poor Laws in the nineteenth century the same conclusions emerge: the Old Poor Law demoralized the working class, promoted population growth, lowered wages, reduced rents, destroyed yeomanry, and compounded the burden on ratepayers; the more the Old Poor Law relieved poverty, the more it encouraged the poverty it relieved; the problem of devising an efficient public relief system was finally solved with the passage of the ‘harsh but salutary’ Poor Law Amendment Act of 1834” (Blaug 1963).

The evidence, however, was the opposite:

“The Old Poor Law, with its use of outdoor relief to assist the underpaid and to relieve the unemployed was, in essence, a device for dealing with the problem of surplus labor in the lagging rural sector of a rapidly expanding but still underdeveloped economy. And considering the quality of the social administration in the day, it was by no means an unenlightened policy. The Poor Law Commissioners of 1834 thought otherwise and deliberately selected the facts as to impeach the existing administration in predetermined lines. Not only did they fail in any way to take account of the special problem of structural unemployment in the countryside, but what evidence they did present consisted on little more than picturesque anecdotes of maladministration” (p. 176-177).

We understand now the difficulty Polanyi had of reconciling his views on the need to bring the market forces under control and the “facts” portrayed in the Royal Commissioners’ report, which he could not help but to accept. In fact, Speenhamland was not different from the Old Poor Laws of the Tudors, reducing the destructive impact on traditional society of the rapidly expanding market economy.

Without the government’s protection, everybody was in the market now. Gradually, as the economy grew, the living conditions of the workers started to improve. One explanation was the concentration of economic activities around the industrial poles, bringing more investment and skilled labor. This is what happened to one of these industrial centers:

Turnpikes, canals, and, later, railways were constructed to serve the favored areas. Secondary industries and commercial services appeared, such as those that supplied machinery, dyestuffs, finance, and raw cotton to the Lancashire mills. Each of these activities attracted the others, and in time the areas where growth clustered became repositories of specialist skills at every level: the Manchester cotton-broker and the Liverpool export merchant no less than the Oldham mechanic and the mule spinner. Enterprising capitalists and workmen moved in to satisfy the ever-growing need for investment and additional labor, and the combination of local advantages offered employers more than sufficient compensation for rising wages. In places like Manchester well-paid labor was not necessarily expensive and high wages in turn made their own contribution to the local growth momentum” (Hunt 1986).

Other factors improving living standards were the reduction of costs of foodstuff and clothing, and the growing role of workers’ unions in the negotiation of salaries and the improvement of working conditions. Unions were more effective in high growth regions, but less so in other areas.⁴

⁴ See also, on the living conditions in Britain during the industrial revolution, (Crafts 1997)

Poverty outside the markets

We can see, through Polanyi's work, how different aspects of poverty are intermingled, and very often confused. There were the effects that the development of markets had on non-market societies, destroying its institutions, breaking down the social fabric, and throwing people's lives in disarray. There were also the problems of poverty and destitution created within the market itself, by the exploitation of the workers through the deadly logic of the "satanic mills". Polanyi approved of the Old Poor Laws because they protected the peasants from the destructive effects of the market; but he believed on the negative effects of the New Poor Laws, because they, supposedly, prevented the market from functioning, as it should. Mark Blaug, however, tells us that the New Poor Laws were not as bad as they seemed, because they worked in the same way as the old ones, protecting the peasants in the "underdeveloped" part of the British economy. If Blaug is right, the question of the possible effects of relief policies *within* the market economy, not outside it, could not be discerned through the study of the effects of the poor laws and their repeal, and had to wait for the development of the trade unions and the welfare state, and the consequence of the class struggles.

Poverty and destitution, moreover, were not a creation of market economies, but has always existed in all societies. It is useful, at this point, to introduce the distinction between poverty and destitution, or pauperism. Most people, in most societies, are poor, in the sense that they earn barely what they need to survive from one day to another (although the concept of what is "needed" changes from place to place). Paupers are not just poor. They are those that cannot or have given up working for their own maintenance. Poverty has always been considered a normal condition, except in the developed societies of today, where everybody is expected to have at least the living standards of the middle classes. Following Bronislaw Geremek in his classic study on the history of poverty in Europe (Geremek 1994), it is possible to see that, in the Christian tradition of the Middle Ages, there were at least three different views of pauperism, one considered a virtue, the other a destiny, the third a vice. The virtuous poor were the ones who choose to renounce the pleasures of material life, and dedicated themselves to spirituality, contemplation or human solidarity. Voluntary asceticism and

Puritanism were not exclusive of Christianity, but as Max Weber had shown, existed also in the religious traditions of Buddhism and Hinduism.⁵ It was the duty of the common and richer sinner to care for those saints, through acts of charity, who could also bring the sinner social prestige and a better chance in after-life. Most of the poor, however, were not of this kind; they were true paupers, living in destitution because they were too old, weak or infirm to be able to sustain themselves. They also deserved attention and care, and their involuntary destitution made them almost as virtuous as the saintly ones. The poor of the first kind were human subjects, responsible for their own destiny, who should be cared for with respect, admiration and, sometimes, with fear. The paupers of the second kind were the object of Christian charity, and did not have a say about their fate and their lives. The third type were the ones who were healthy and strong enough to work, but did not. They were the bandits, vagabonds, the criminals who had to be repressed and punished.

All societies, in different degrees, had to learn how to deal with pauperism, and devised special rules and provisions to deal with them. The first question they had to face was that of classification. Who were the “deserving poor”, those that were destitute for reasons beyond their power; and the “undeserving” ones, those who were destitute because of their unwillingness to work? A second distinction was often introduced between “our” poor, people from our own community, those from other communities. “Our” deserving paupers merited all support that could be provided to them; the others had to be punished for their idleness, or expelled to other places, without charity or support.

All these paupers had in common the fact that they were unable to sustain themselves, and had to rely on charity to survive. Peasants, and, later, urban workers, even when living in extreme conditions of destitution, were not considered as paupers, but poor, which was perceived as a normal condition for most of the population in all societies until very recently. The transformation in agriculture and, later, the Industrial revolution in Europe, gave preeminence to another type of pauper, the ones who lost or could not find work, and had to

⁵ For a summary of Weber's view of Christian and Oriental asceticism, and their contrasts, see (Bendix 1998) (“Types of Asceticism and the significance of Ancient Judaism”, pp. 201-204).

move to the towns and cities looking for ways to survive. For the British Church and Crown, they were paupers and destitute, who had to be treated with charity when necessary, but forced to work or punished for their idleness. For Marx, they were the “industrial labor reserve”, and, as such, part of the virtuous poor that would inherit the world from capitalism. But Marx did not know how to distinguish those deserving poor from the *lumpenproletariat*, the human “scum” that infested the industrial cities, and had no place in this or the future world. For the liberal economists, the only solution was to transform vicious pauperism into virtuous poverty, bringing everybody into the market, through the elimination of all charitable institutions.

Another issue that is mentioned, but not with enough emphasis in the writings of Marx, Polanyi and other economists, is the impact of industrial development and market expansion in other societies. Marx, in the Communist Manifest, talks about the spread of Capitalism throughout the world, and wrote on India as a correspondent to the New York Herald Tribune. For him, Capitalism did not know geographical or cultural barriers, and non-capitalist societies such as India, still based on traditional forms of social organization, had to go through the process of destruction and incorporation into the capitalist market, and would have to wait for the social revolution to succeed in Europe, to be able to face their problems of poverty and destitution. It is always worth quoting Marx, on the effects of British rule, and its deeper meaning:

Now, sickening as it must be to human feeling to witness those myriads of industrious patriarchal and inoffensive social organizations disorganized and dissolved into their units, thrown into a sea of woes, and their individual members losing at the same time their ancient form of civilization, and their hereditary means of subsistence, we must not forget that these idyllic village-communities, inoffensive though they may appear, had always been the solid foundation of Oriental despotism, that they restrained the human mind within the smallest possible compass, making it the unresisting tool of superstition, enslaving it beneath traditional rules, depriving it of all grandeur and historical energies.

And finally:

England, it is true, in causing a social revolution in Hindostan, was actuated only by the vilest interests, and was stupid in her manner of enforcing them. But that is not the question. The question is, can mankind fulfill its destiny without a fundamental

revolution in the social state of Asia? If not, whatever may have been the crimes of England she was the unconscious tool of history in bringing about that revolution (Marx 1853)

Polanyi had a more complex view. For him, the international expansion of the market economy had two non-economic correlates, one social, another political. The social consequence was the same as the one in “underdeveloped” England – the destruction of traditional lifestyles of social organization, without their full replacement by market mechanisms and institutions. The result was social dislocation, loss of values and traditions, and widespread misery and anomie. The political correlate was the attempts to establish a new international world order, ruled according to the principles of the liberal creed, and its failure. The international market was not the simple result of the interplay of individual interests at the global scale, but required the establishment of international peace, guaranteed through complex treaties and military alliances, and the establishment of an international common currency, gold, operated by the world’s largest banking houses and governments. It was the result of purposive action, the same as the creation of national markets was a product of the purposive action of the Mercantilist regimes. The two World Wars in the first half of the 20th Century, and the emergence of fascism, were, for him, the evidence that world society could not possibly be organized through the logic of unconstrained market principles.

The remaining of Polanyi’s book is dedicated to the analysis of the tensions between these two contradictory principles that dominated modern society in the nineteenth century: the continuous expansion of the market, and the countermovement of social protection, which placed limits on this expansion. Polanyi did not believe that the market economy could become completely disembodied from its social context, and saw in the constant struggle and opposition between these two trends – for the markets to run uncontrolled, and for society to reign – the roots of the social and political conflicts of the 19th and early 20th century, which led fascism.

The book was written during Second World War, when the terror of fascism was vivid, and socialism appeared as a possible alternative. Polanyi described himself as

socialist, and believed that, on the long run, the only solution for the tragic confrontation between market and society was to withdraw the three “fictitious merchandises”— labor, land and money - from uncontrolled market forces, putting them under the control of society. To see how this could be done, he looked at the proposals of the “utopian socialists” who, since the beginnings of industrialization, tried to suggest alternatives to the free interplay of market forces. He mentions John Bellers, a Quaker who, already in the 18th century, proposed to organize the poor in self-sufficient cooperatives; Jeremy Bentham, who tried to organize the indigent and the unemployed in complex industry houses, free from the vagaries of market competition; and Richard Owen, who tried to organize the workers in self-sufficient cooperatives and trade unions. They all failed, because, as Engels had observed and Polanyi reasserted, they did not take into account the logic of the market, which was expanding poverty and creating unemployment at an ever-growing rate (Engels 1989). The utopians failed to understand the power of the market forces, but, when the time comes to bring these forces under control, as they must, they would have to be brought back again, and Owen would have the pride of place, because, for Polanyi, he was the one who “discovered society” as the basis for the organization of collective life, as opposed to the destructive individualism of free market competition, as well as its opposite, authoritarian central planning.

The last sections of Polanyi’s book are a reflection on moral and religious values, and did not have the same impact as the earlier chapters on the links between capitalism and poverty. We can read these sections as a plea in favor of humbleness. The human being is inherently limited on its ability to keep on living, since death is unavoidable, and a similar limitation exists in our ability to live a fully free life, or a life of full immersion in society. It is impossible to eliminate market freedom, and its pitfalls, by returning to society, as it is impossible to allow the markets to grow and operate without the limitations of social institutions. Whenever we try to move to the extreme in one of these directions, we end up in absolutism and authoritarianism. In his own words:

The discovery of society is thus neither the end nor the rebirth of freedom. While the fascist resigns himself to relinquishing freedom and glorifies power which is the reality of society, the socialist resigns himself to that reality and upholds the claim to freedom,

in spite of it. Man becomes mature and able to exist in a complex society. To quote once more Robert Owens' inspired words: "Should any causes of evil be irremovable by the new powers which men are about to acquire, they will know that they are necessary and unavoidable evils; and childish, unavailable complains will cease to be made" (Polanyi 2001).

The enduring importance of Polanyi's work is the bridge he tried to build between the two main traditions in the interpretation of the contemporary, that of the economists and that of the sociologists and anthropologists. For the latter, the notion that the economy is embedded in social relations does not come as a surprise, and was clearly spelled out in the work of Émile Durkheim a century ago, as well as in the ambitious effort of Talcott Parsons to provide an integrated framework for understanding the combined interplay of economic, political, cultural and social activities and institutions in modern societies (Durkheim 1893; Parsons 1968)⁶. What makes Polanyi's work more fascinating is that, instead of trying to interpret society as a well-functioning and coherent organism, like Durkheim and Parsons, or as well a orchestrated combination of individual decisions and rational behavior, like the economists, he puts his finger in the tensions and contradictions which are at the core of the modern world.

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Poverty, Social Exclusion and Modernity

Simon Schwartzman

3 - Colonialism, dependency and culture

In the 19th century, the conventional view in Europe was that Western expansion was part of a Civilization process, through the spread of modern technology and rationality, not different from the spread of Christianity by the Crusaders in the Middle Age, the Spanish Conquerors in the 16th century, or of Western democracy today. Even Karl Marx believed that the expansion of capitalism throughout the world was a positive development, since it brought modernization to backward regions and peoples. Hobsbawm quotes Marx's approval of American's victory over Mexico as bringing historical progress and creating the conditions for capitalist development, as well as for the British "mission" in India, which was "the annihilation of the old Asiatic society and the laying of the material foundations of Western society" (p. 132)¹. Marx recognized, of course, the enormous human cost of modernization and capitalist development, but this was not enough to put him against what he considered the natural course of history and progress. In the 20th century, as the European empires crumbled under the impact of the world wars and third-world nationalism, the opposite view was articulated: that Western capitalism destroyed both the harmony and stability of traditional societies, and their ability to join the selected club of rich and developed societies.

To some extent, the international expansion of capitalism could be perceived as an enactment, in a global scale, of the destruction of traditional ways of life that took place within England and other European countries in the 18th and 19th century, which lead, however, to prosperity later on. In at least two aspects, however, international capitalism was different. First, by the extensive use of slave labor; and second, by the

¹ For a view of British imperialism in India, (Gilmour 2003), reviewed by (Buruma 2003)

creation of international empires, placing whole countries and societies in a condition of economic and political subordination regarding the European powers.

Polanyi observes that international trade preceded, by centuries, the creation of nationally integrated market economies. In Europe, trade was mostly the work of the Italian city-states and the German and Scandinavian Hanseatic League, and can be traced back to earlier civilizations, like the Phoenicians. In the late 15th and early 16th century, with new advances in navigation technology, the Portuguese, Spanish, Italians and Dutch found the routes to Asia and America, in search of gold, spices, silk, and slaves. To call this activity “trade” is a misnomer. Sometimes, the navigators established some business relationships with local dignitaries, exchanging goods of some kind. More often, however, these were predatory excursions, leading to the destruction of local societies and the killing of hundreds of thousands, as it happened with the Spanish conquest of the Inca and Aztec Empires in America, and later with the genocide of native populations in the United States, Brazil and Argentina.

Slavery

Slavery, the transformation of human life into merchandise, was not an invention of modern capitalism, but has existed since ancient times, usually applied to foreigners taken away from their social environment by some kind of warfare. With the discovery of gold and silver mines in the Americas, and later the emergence of sugar and cotton as valuable market goods, slavery grew in importance, first with the use of Native Americans, and later, through the systematic import of Africans to work in the mines and plantations in Brazil, the Caribbean, Southern United States and other regions, by Portuguese, English, Spanish, French and Dutch plantation and mining companies and settlers. Once obtained, by either violence, slave work or bartering with local chiefs and dignitaries, the international merchandises - slaves, spices, gold and sugar - were introduced in trade circuits, in Europe or in the established colonies in the Americas, and bought and sold in open markets.

The impact of this international trade on local societies was not uniform. In Europe, the accumulation of wealth through international trade led eventually to the creation of nationally integrated markets and the development of modern capitalism. In the Americas, traditional civilizations and societies were destroyed, or brought into a new relation of dependency and subordination regarding the European colonizers. In Asia, for a long time, the Europeans were just a minor presence in the huge and well-established ancient civilizations of India, China and Japan, and did not affect them at first. The Muslim world, under Turkish occupation, remained isolated.

The impact on Africa is less clear. Sometimes, the Europeans would raid local settlements and capture and enslave the population. Most of the time, however, they would buy slaves from local suppliers, who would get them from local chieftains. Herbert S. Klein describes in detail the organization of the slave trade in Africa:

Although early in each European trade there were cases of ignorant slave captains seizing local Africans who appeared before them on the coast, these practices stopped quickly. European buyers were totally dependent on African sellers for the delivery of slaves. European traders never seriously penetrated beyond the coast before the late nineteenth century because of the military power of the African States and the threat of disease. (...). Given the balance of resources and power relations, the Europeans quickly discovered that anything but peaceful trade was impossible. Those who did not adapt were rapidly removed from the trade, sometimes by force (Klein 1999)

The impact of the slave trade in African society is a complex matter, and Klein surveys what is known about two issues, the impact of foreign trade in the African economy, and the demographic impact of slavery. On the first issue, the conclusion was that the total value of European imports at the height of international trade, in the late eighteenth century, was “less than 5 percent of the total West African income for the 25 million or so resident population” (p. 125). The population losses in Africa are compared with that of the out-migration European countries such as England, Ireland, Italy and Portugal in the eighteenth and nineteenth century. The most significant impact, however, was the growth of slavery within African society itself, which continued after the Atlantic

trade was interrupted. The estimation was that, “by 1850, there were more slaves in Africa than there were in America – probably numbering close to 10 million” (p. 129). .

Dependency

More important than the moral justification or condemnation of Western expansion is to understand what it did to the countries that suffered its impact, and what options they had to make the best possible use of their condition. The “dependency theory”, developed initially at the United Nations’ Economic Commission for Latin America in the 1950s, through the work of the Argentine economist Raul Prebisch, and disseminated later through the works of Fernando Henrique Cardoso, Andre Gunter Frank, Celso Furtado and others in the 1960s, offered an interpretation. In spite of individual variations, it consisted, basically, in the transposition of the notion of economic exploitation, from the relationships between capitalists and workers, to the relationships between Imperial powers and their colonies, or industrial and underdeveloped countries². Industrial countries exploited the poor ones by selling them expensive manufactures, and paying little for raw materials and commodities. Capitalism thrived by keeping the workers in misery, and imperialist countries thrived by keeping poor countries poor and underdeveloped. This was done with the support of local allies, who worked as agents of international interests in their societies. International free market exchanges killed the efforts of poor countries to develop their own industries, and to administer the use of their national resources. To overcome this situation, it was necessary for poor countries to develop strong, nationalist governments, committed to planned industrialization through public subsidies and trade barriers, and able to get together in international alliances to confront the concerted interests of world capitalism. In the context of the Cold War, it was unavoidable that these views would be translated in terms of the conflicts between the Western powers and the Soviet Union, in spite of the efforts of India and other countries to present themselves as representing a “third world”.

² On Prebisch and CEPAL/ECLAC, (Hodara B 1987). The early “dependency” texts are (Frank 1967) and (Cardoso and Faletto 1979). For a detailed analysis and criticism, (Packenham 1992)

These ideas are still alive among many politicians in Latin America and other parts of the world, but have lost most of their intellectual appeal in academic circles, for several reasons. First, the failure of most “third world” countries, particularly in Latin America, to achieve economic development and social welfare through nationalist policies and central planning; second, the unexpected success of others, particularly in Asia, to break the circle of poverty and underdevelopment; third, the fact that, contrary to the assumptions of many “dependentists”, it is not true that the rich countries depend on the exploitation of the poor ones for their wealth. Most of the international trade takes place among rich countries; the old empires became a liability before they crumbled; and the political intervention of the rich countries in poor areas, when they happen for strategic, geopolitical or ideological reasons, represent a cost that no country today, except perhaps the United States, is willing to incur.

Cultures, civilizations and societies.

As the limitations of economic and political theories to explain and predict the different outcomes of countries in relation to poverty and economic development became evident, old explanations, related to differences in civilization and culture, started to reemerge.

For the classic economists and their followers, all men are born equal, with the same individual drives and vices, and all should be able, therefore, to benefit from modern technologies and from the natural trend of societies to accumulate wealth. Wrong institutions, values and attitudes could inhibit the expression of this nature, and should therefore be removed or changed. Another version of this view is the evolutionist one: societies are different in origin, but there is a clear historical trend of human development, a “civilizing process” by which people and societies move from primitive to more advanced ways of life (Elias 1994).

This view entails a great paradox. On one hand, it is profoundly democratic and egalitarian: it assumes that all have the same rights, and should be treated with consideration and respect. On the other hand, it can easily lead to profoundly self-

righteous and intolerant views – that there is only one accepted way of being human, the Western way, based on individualism, personal freedom and private property; and people and societies committed to other ways of life should be led, by persuasion or force, to adopt the “proper institutions, values and behavior of Western civilization.

The enormous human suffering inflicted through the times on the name of Christianity, Rationality, and, more recently, Freedom and Democracy, should not lead us to the opposite view, that is, that all kinds of human arrangements are equally valid, with no moral and practical choices to be made. It is too easy to say that poor people, or people living under oppression, or subject to degrading discrimination or physical mutilation, should remain as they are because their live under a different culture, and different values.

Max Weber had tried to provide an answer to this dilemma. Western rationality, argued Weber, is a peculiar product of the historical developments of Western Europe, the combination of decentralization and the Judeo-Christian tradition, different, therefore, from other historical traditions of China and India, based on different religions and institutions. Weber did not share the one-dimensional view of the 19th century evolutionists, and was pessimistic about the blessings of economic development and modern rationality. At the same time, he only conceived the existence of one type of modern social and political organization, the “rational-legal” society that evolved in Western Europe, and did not embrace either the irrationalism that dominated German social thought in his time, or the pluralism and relativism that would become fashionable later. This is how one of Weber’s main interpreters, Reinhardt Bendix, described his views:

Although Weber was preoccupied throughout his career with the development of rationalism in Western civilization, his research left no doubt, as we have seen, that in the modern world reason and freedom are in jeopardy. Yet Weber’s personal commitment to the cause of reason and freedom remained unwavering, in contrast to the many writers who during his lifetime and since then embraced an irrationalist doctrine in one form or another. Weber’s commitment involved an attempt to safeguard man’s reason *after* having come to terms

intellectually with man's irrationality – as he did in his analysis of charisma and the non-rational foundations and consequences of rational action (Bendix 1998)³.

In the Weberian tradition, and not only in it, there is today a large body of sociological, economic and philosophical literature that converge on the notion that it is possible to distinguish good from bad societies, justice from injustice, through the use of rational and logical thinking. Rights and liberties, opportunities and powers, income and wealth are “primary social goods” which should be maximized in any society, and whose presence or absence can be used as a yardstick to assess their quality and fairness.⁴ The identification of these basic rights, and their gradual consolidation in the best experiences of welfare state and democratic order of the Western world, are not just a peculiar development among others, but a common asset of all mankind, which should be valued, maintained, and disseminated although not, of course by any means.

The fact remains, however, that societies that have gone through the traumatic experience of market expansion, and were able, later, to build social institutions to bring the market forces under control, are better placed to implement these values and institutions than those that have only suffered the destructive impact of globalization, without its long-term benefits.

India, as seen by V. S. Naipaul

This is the subject of V. S. Naipaul, born in Trinidad, winner of the Nobel Prize of Literature in 2001, who visited the land of his ancestors in the mid-seventies, in the years of the “Emergency” of Indira Gandhi. *A Wounded Civilization*, the second book of a trilogy on India (Naipaul 2002, 1979, 1991), is part of a lifelong attempt to offer an interpretation of the conditions of countries going through the colonial and post-colonial

³ On German irrationalist ideologies, (Ringer 1990)

⁴ See for instance (Rawls 1972), as discussed by (Roemer 1996), chapter 5, “Primary Goods, Fundamental Preferences and Functionings”.

experience. Naipaul writes forcefully, making use of interviews, travel impressions, and literary analysis. He is very controversial, the main charge against him being, perhaps, that he blames the colonized, the victims, rather than the colonizers, for their own difficulties and problems.

In fact, there is very little, in *A wounded civilization*, about the role of the British in the colonization and transformation of the Indian subcontinent. This, for good or bad, was something that happened with India, and his question is what the Indians did or did not do with it. It is not true, he argues, that the British found a well-integrated society, which they destroyed and threw in a road of conflict and destitution. Before the British, India had suffered centuries of occupation by the Mughals and other nomadic groups, and its population developed a long tradition of withdrawing from the outside world to the inner self, to escape the need to confront the hardships and contradictions of daily life. Indian traditional society, on the whole, is described by Naipaul in very negative colors – the caste system, the peculiar concern with the values of purity and rituals, cow worship, passivity, the tradition of submission and obedience. The British occupation brings two powerful forces into play: first, Western technologies, values and institutions, including the rudiments of a market economy⁵; second, the independence movement, and the effort to transform India into a modern society – democratic, economically developed, equitable and, at the same time, in tune with the regions' best traditions, which can also be identified.

To describe India's reaction to contacts with the West, Naipaul analyses two books by novelist R. K. Narayan (Narayan 1967, 1949). In one of the books, the main character, Srinivas, after trying to earn a living with different jobs and activities, withdraws to a life of contemplation and non violence, similar, in appearance, to the ethical stand of Gandhi, but in fact its opposite. For Naipaul,

⁵ On the nature and limitations of the expansion of the market economy in India, see (Roy 2000)

Just twenty years has passed between Gandhi's first call for civil disobedience and the events of the novel. But already, in Srinivas, Gandhian nonviolence has degenerated into something very like the opposite of what Gandhi intended. For Srinivas nonviolence isn't a form of action, a quickener of social conscience. It is only a means of securing an undisturbed calm; it is nondoing, noninterference, social indifference (Naipaul 1979).

The other book, *The Vendor of Sweets*, written twenty years later, is described by Naipaul as "a fable, and it broadly repeats the theme of the earlier book: there is a venture into the world of doing, and at the end there is a withdrawal". Jagan, the main character, "decides to withdraw to a wilderness away from the town, near a ruined shrine. There, divested of possessions, he will watch a master carver, who is like a 'man from the previous millennium', complete an old, unfinished image of a five feet goddess, 'the light that illuminates the sun itself'." Jagan, at last, reaches stability and peace, but at very high price:

Jagan won his war. Now, blinded by this victory to his own worldly corruption (the corruption that, multiplied a million times, has taken his country in Independence to another kind of political collapse), his Gandhian impulses decayed to self-cherishing, faddism and social indifference, Jagan seeks only to maintain the stability of his world; he is capable of nothing else. To be pure in the midst of 'the grime of this earth', secure in the midst of distress: that is all he asks. When his world shatters, he cannot fight back; he has nothing to offer (p. 33).

Gandhi was different, because he had lived in England, experienced the racial conflicts and South Africa, and used elements of the Indian culture as instruments in the struggle for independence. Because he lived in London, he learned that he was a Hindu; and in South Africa, Gandhi acquired what Naipaul called a "racial sense", which led him to defend the idea of a unified nation, bringing together Indians and Muslims, and overcoming the traditions of caste discrimination. Gandhi, however, "lived too long", and moved more and more into "mahatmahood", described by Naipaul as

A religious ecstasy and religious self-display, a juggling with nothing, a liberation from constructive thought and political burdens. True freedom and true piety are still seen to lie in withdrawal from the difficult world. In independent India, Gandhianism is like the solace still

of a conquered people, to whom the state was historically been alien, controlled by others (p. 155).

What is left that is good and usable, then, from India's traditional society? Here and there, there are important legacies in literature, art and philosophy, to which it is impossible to return by mystical contemplation or inner search, and can only be recovered by critical enquiry and research. For Naipaul, the requisites of a modern society, in England or India, are the same as anywhere else: individuality, rationality, freedom of contract, creativity. To these individual characteristics, however, India needed to add a collective drive, which he identified as the "racial sense" in Gandhi, or an "ideology", "which would have answered all his political aims, and more: not only weakening untouchability and submerging caste, but also awakening the individual, enabling men to stand alone with a broader identity, establishing new ideas of human excellence". We are at the end of the book, and what this ideology could consist of, and how it could be reconciled with the modern attitudes Naipaul considered essential, is not explained.

We can understand better now why Naipaul was so criticized, not only in relation to his work on India, but also on his later work on South America and the Islam. His criticism of the efforts to respond to the challenges of modernization with the withdrawal to old religious and communitarian traditions is devastating; however, he does not seem to have much to offer on its place, beyond very general statements about the values of inquiry, individuality, creativity, contract and some vague "racial sense" or ideology. The question is whether his critics have something better to propose.

Mexico, as seen by Octavio Paz.

Like Naipaul, Octavio Paz is a literary man, whose subject is the search for the explanation of the shortcomings and limitations of Mexican society, in its traumatic relationships with modernity. To do this, he covers an enormous ground, including the history and interpretation of the pre-Colombian civilizations, a political analysis of the different phases of Mexican history, a discussion of the country's intellectual traditions,

questions of industrialization and international trade, and a philosophical essay on the dialectics of solitude.

Mexico, like India, was not an Idyllic and well organized society, which one day was invaded and destroyed by the Spanish conquistadores. According to Paz' interpretation, the Aztecs found by Cortez had conquered power by the annihilation of older and richer traditions, and established a society based on centralized power, totalitarianism and rituals of human sacrifice. The destruction of Aztec power by the Spanish was received with indifference, if not with satisfaction, by other native populations, and the replacement of the Aztec pyramid of power by the Spanish was taken by the common people as just a continuation of a long tradition of oppression. In fact, says Octávio Paz, by incorporating the natives into their civilization, forcing them to become Catholics and work as servants for the new masters, the Spanish were able to create a better society than that of the Aztecs, and better than that of the Anglo-Saxon colonizers of the north, who did not have a place for the native population and exterminated most of them.

The *Labyrinth of Solitude* (Paz 1991) was written in the late forties, when it was possible to look back at years of revolutions and insurrections, and see that their work had been completed. Mexico, now, seemed to be entering the world of modernity, through industrialization, the expansion of education, and a modernizing state. Society, however, did not develop: poverty and social inequity continued unabated, and were made more tragic by the contrasts with the life styles of the rich and the Americans in the north. At some points, Octavio Paz looks for general explanations, and compares countries where industrialization and modernization developed earlier and those of late development. He has a romantic view of the former: in these countries, he says, "the political, technical and economic transformations succeed and related to each other as if inspired by a superior coherence". For others, the modernization of the state and the economy came through authoritarian regimes and national revolutions, with similar results: "this is the great limitation – it would be more exact to say condemnation – of all revolution in backward countries, without excluding, of course, the Russian and the

Chinese revolutions: the inescapable contradiction between revolution and social reforms, a contradiction which is always solved to the benefit of the former” (p. 216).

This line of enquiry, about the different alignments between state, the economy and society which resulted from the introduction of modern capitalism in non Western societies, is a powerful approach, when properly done. Paz, however, prefers an older and less fruitful path, which is to provide some kind of psychoanalytical interpretation of Mexican’s soul, symbolized, for him, by the Aztec pyramid⁶. At the top, the gods play with the creation and destruction of worlds. Below, people work and suffer. Human sacrifice, dancing rituals and regular warfare assures that the domination of the gods over humankind is maintained and perpetuated. For Paz, through the centuries and countless revolutions, the Mexicans were never able to face the true nature of this archetype, and were therefore condemned to repeat it, from the Aztec kings to their successors – “Virreyes, Altezas Serenísimas y Señores Presidentes”. The unpleasant conclusion is that “the true heirs of the murders of the pre-Hispanic world were not the Spanish from the Peninsula, but us, Spanish speaking Mexicans, whether criollos, mestizos o indios”.

The first edition of *The Labyrinth*, written in the late forties, ends with a general criticism of modernity, which makes men solitary and sterile, and a plea in favor of a human society, “not dominated anymore by lies, bad faith, dissimulation, unscrupulous greed, violence and simulation” (p. 172). The second part of the book, written twenty years later, starts with the terrible massacre of students in the Tlatelolco square in 1968, and ends with the need to search again for the hidden soul of Mexican society, and, from there, gather strength to brake the wheel of authoritarianism, oppression and inequity that blocks the full development of Mexico into a full, free society.

Naipaul and Octavio Paz, so different writers, from very different cultures, share the same questions, search for solutions in similar ways, and come to similar conclusions.

⁶ This is clearly in line with the theory of “archetypes” put forward by Carl Jung, that Paz, however, never mention. See (Jung and Franz 1964)

The question: why is it that Mexico and India, ancient societies that were able to raise their populations through memorable revolutions, were unable to create true democracies, and harvest the benefits of modern industry, science and technology? The search: is there something unique in Indian and Mexican cultures that explain this historical failure? The conclusion: each society has its own history, but need to face the present and construct the future the same way: facing its past, denouncing its self-lies and masks, and taking responsibility for constructing their future. At the end, the question is not to find whom to blame for the present shortcomings, but what one can do to confront and overcome them.

Culture

They also share the lack of a proper conceptual approach to deal with issues of culture, powerful as their literary descriptions may be. We could say that, for both of them, culture and society is something of the past, in contrast with rationality and individualism, which is something of the present and future. In that sense, they share the views of other authors claiming for the return to a mythical past, like, for instance, Richard Morse, who argued for Latin America to return to the days of Spanish domination and native, pre-Columbus tribal life (Morse 1988)⁷, although they are radically different in describing the past as a hindrance and an illusion, and the present of modern societies as the only possible alternative.

Culture and society, however, are part of the present, both in developed and underdeveloped societies, and Polanyi was right in trying to find a general framework for the understanding the links between economy and society, even if the specific answers he provided, looking for the structures of production, distribution and interchange of goods and services in traditional societies, have not lasted.

⁷ See, for an interpretation and discussion of Richard Morse's views, (Schwartzman 1997).

Social scientists and economists, for a long time, have tended to ignore the existence of cultures and subcultures, and this was part of the modernist and liberal tradition, according to which all are equal and should be free to participate in society according to their individual achievements, not the color of their skin or the place where he or she was born. These principles are as important as ever today, but they cannot turn us blind to the fact that people do participate in different cultures, this is important to them, and no meaningful social policy can be implemented if this fact is not taken into consideration.⁸ Part of the difficulty of thinking on culture in general terms is that the word is often used to describe what is unique and peculiar to a specific community, that provides its members with a sense of identity and belongingness. However, it is also possible to think on culture in more general terms, as a limited number of ways in which people relate to each other and to the broader community in which they live, in a way similar to what Talcott Parsons called the “integration” function in a social system.

The comparisons developed by Max Weber among the classic civilizations of Europe and Asia seem to point in the direction to go. Some societies, for historical reasons, develop strong, organized governments and states, weather through warfare or the development and administration of complex water irrigation systems, requiring the mobilization of thousands and the management of complex construction work; others remain scattered, with power diluted among local lords or tribes. This is a key feature, or dimension, of any society, its vertical structure, which can be described as strong and hierarchical, or as weak and decentralized. The other dimension refer to the horizontal bonds that link people in social groups and communities, which can be also described in terms of being strong or weak, based on the common identity of people or on their differentiation, due of the requirements of the division of labor, as proposed by Durkheim, or for other reason.

⁸ For an extended discussion on the “rediscovery” of culture in the modern social sciences, (Schwartzman 1997)

From this classic dimensions of sociological analysis, Aaron Wildavsky, following the work of Mary Douglas (Thompson, Ellis, and Wildavsky 1990; Wildavsky, Ellis, and Thompson 1997), proposed a typology of four main “cultures”. When social hierarchy is strong and social groups are also strong, we can talk about a hierarchical culture: society is stratified, each one knows his place, and each segment develops their own professional and social identity, within a social hierarchy. This is the corporatist system that the ideologues of Brazil’s Estado Novo tried to implement in the 1930s, under the inspiration of the conservative Catholic Church. However, Brazilian society seems to be, historically, closer to another culture, where social hierarchy is still strong⁹, but community life and horizontal integration is weak; this is the culture that Douglas and Wildavsky described as fatalistic and apathetic. If hierarchy is or becomes weak, it can either open the way for a culture of individual initiative and entrepreneurship, where individual differences are likely to emerge, or it can give raise to strong, egalitarian cultures, where group identity and integration prevails upon other kinds of allegiance or individual initiative.

There would be much to discuss about this typology. We can use it to try to better understand the nature of contemporary social movements and cultural and religious revivals, and to speculate on the consequences and impact of each of these cultural alternatives for the issues of modernization, economic development and poverty we have been discussing.

Without going further, we can still mention two important consequences that follow from this kind of approach. The first is that cultures cease to be seen as arbitrary and unique sets of preferences and interpretations of social identities and the world, and

⁹ The most common interpretation is that Brazil was, traditionally, an agrarian society, with a modern, centralized state emerging only with the Vargas regime in the 1930; this notion, however, has been superseded by the interpretations in the line of Raymundo Faoro’s pioneering writings on the patrimonial-bureaucratic nature of the Portuguese colonial administration and its aftermath. (Faoro 1958; Schwartzman 1988, 2003)

can be treated as a limited set of *ways of life* that are strongly embedded and dependent on specific social relations. The second, and more important implication is the perception that cultures can change as these social conditions change, or can be used to transform them. Culture is not always destiny, can be also a choice. Also, culture is not monolithic. There are tensions and possibilities within each culture, and there is always people struggling to define and interpret what their culture means. In this sense, cultures are “tools” (or “cultural resources”) that are used differently in different contexts. Christianity has been used to justify socialism, capitalism, rationality, or irrationality. Confucianism can be used to espouse “traditional values”, which can be a barrier to capitalist enterprise, or “hard work, education and respect for authority” which can be useful in capitalism and stimulate social mobility. Islamism has played the role of an ecumenical culture, open to the flourishing of sciences and arts; as an ideology of strong, authoritarian regimes; and for the justification highly militant, anti-individualistic and egalitarian social movements.

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Poverty, Social Exclusion and Modernity

Simon Schwartzman

4, Work, poverty and social exclusion

From proletarians to wage earners and beyond

“Poverty” and “social exclusion” are used today almost as synonyms, the assumption being that whoever is socially integrated is also protected from poverty and deprivation. Our historical overview shows that this was not the case in the past, and was not in the mind of the economists and social scientists that wrote about the origins of capitalism and modern societies. The workers, for Marx, were very well integrated into the capitalist economy, but remained poor because of the way the economy worked. There was no difference between those who worked and those who did not, and were temporarily in the “industrial reserve army”, also a creation of capitalism. Beyond that, there was “the scum” - the *lumpenproletariat*, the beggars, bandits and drunkards, for whom there was no need for social or economic theory, just rejection.

Thomas Malthus had a different explanation, but came to a similar conclusion. Poverty, for him, was a fact of nature, the consequence of too many people being born and not enough food being produced, rather than the consequence of a particular economic order. It was natural for living beings to reproduce and multiply, up to the limit placed by the availability of food. In his own words,

The great law of necessity which prevents population from increasing in any country beyond the food which it can either produce or acquire, is a law so open to our view, so obvious and evident to our understandings, and so completely confirmed by the experience of every age, that we cannot for a moment doubt it. The different modes which nature takes to prevent or repress a redundant population do not appear, indeed, to us so certain and regular, but though we cannot always predict the mode we may with certainty predict the fact. If the proportion of births to deaths for a few years indicate an increase of numbers much beyond

the proportional increased or acquired produce of the country, we may be perfectly certain that unless an emigration takes place, the deaths will shortly exceed the births; and that the increase that had taken place for a few years cannot be the real average increase of the population of the country. Were there no other depopulating causes, every country would, without doubt, be subject to periodical pestilences or famine. (Malthus 1998).

Malthus believed that it was impossible to break this iron law. Charity and higher salaries would stimulate population growth, which would lead again to famine and social catastrophe. The only alternative to periodical famines and pestilence was moral restraint – extended celibacy and voluntary sex abstinence. If the poor did not behave as they should, as it was their duty, there was nothing else anyone could or should do to reduce their suffering.

This iron law was broken in the industrialized areas, however, by the development of technology, increasing the availability of food; by emmigration, directing the demographic pressure from places like Ireland, Italy and Germany to new frontier countries – the United States, Canada, Australia, Argentina, Brazil; and by the redistribution of wealth brought about by the labor movement and the introduction of welfare legislation.

Robert Castel describes this evolution in terms of three phases in the conditions of the working population in industrial societies, that of the proletarian, that of working class, and that of the wage earner. (Castel 1995). The proletarian condition describes the first decades of the industrial revolution, when the workers could barely survive, and the dividing lines between poverty and pauperism were impossible to see. It is a period characterized by the radical contrasts between rich and poor, the extreme vulnerability of the workers, and the dangers they posed to the daily lives of the rich. The expression “classes dangereuses”, dangerous classes, used originally to refer to the vagabonds, criminals and outcasts, is extended to the lower class as a whole – “classes laborieuses, classes dangereuses” (Chevalier 1969). Castel provides abundant examples of the contemporary views and efforts to deal with the problem in France. The *Dictionnaire d'économie politique* de Léon Say and Joseph Cahilley included an article defining “paupérisme”:

Pauperism is a new condition, both for its causes and for its nature. Its origin is due to the industrial organization of our times; it is based on the industrial workers' ways of being and living; and supposes the annihilation of morals, a lowering and corruption of mental faculties (my translation).¹ (Castel 1995).

Economists and moral philosophers could consider this situation as normal or unavoidable, but public authorities, the Church and other social thinkers tried hard to understand what was happening and see what could be done to improve the situation. Already in 1834, the French Academy of Moral and Political Sciences defines the terms of reference for a “research which could identify, through positive observations, which are the elements that characterize, in Paris or any other large city, this section of the population which forms a dangerous class by their vices, their ignorance and the misery; and point out the means by which the administration, the rich and accommodated persons, the intelligent and laborious workers, could use to improve this dangerous and depraved class” (p. 227). At the end of the nineteenth century, in England, social scientists and statisticians were busy collecting information on urban poverty and their correlates, trying to understand their nature, and perhaps help in their alleviation.²

At this time, however, the old proletarians were being transformed into the new working classes. The contract between capitalists and workers ceases to be a simple payment for the performance of a given task, and becomes a long-term relationship, with a growing set of assured rights – support in situations of illness and accidents, retirement benefits, limitations in working hours and on the exploitation of children. Later, even leisure becomes an assured right. Individual contracts were replaced by collective

¹ (“Le paupérisme est un état nouveau aussi bien pour ses causes que pour son caractère. Son origine est due à la organisation industrielle de notre époque contemporaine ; elle réside dans la manière d’être et de vivre des ouvriers de manufactures [...] il suppose un anéantissement du moral, un abaissement et une corruption des facultés mentales”)

² Among the most notable were the works of Charles Booth and S. Rowntree ((Booth 1902; Rowntree 1902)). For an overview, (Hennock 1987)

agreements, strengthening the worker's bargaining power. In most of Europe, the workers created strong unions, joined labor, socialist and communist parties, and disputed political power with the bourgeois and the rich. They also organized and took control of their working conditions, deciding, in many cases, who was entitled and could have access to work. Castel believes that this condition reached its climax in France in the 1930s, and was similar in England and other industrialized countries. Most wage earners were blue collar, industrial workers. They did the heavy work, and stayed at the bottom of the social pyramid. However, they lost the revolutionary impetus of the old proletarians, who "had nothing to lose except their chains", and developed peculiar habits and traits, a "popular" and "working class" culture which tended to be associated with a rejection of the values and lifestyles of the well educated and the bourgeois.

The third phase described by Castel is the generalization of wage earning, from something limited to the working class to a condition affecting most of the population of the industrial countries. With the expansion of intermediate, specialized and tertiary activities – white collar workers, professionals, civil servants, technicians –, to be a wage earner becomes the natural condition for almost everybody, and the frontiers between the world of the blue collar working class and the middle class employee starts to blur. In the 1960s, a lively debate takes place among British sociologists on whether the working class was going through a process of "embourgeoisement", therefore losing its distinct social and political identity. ((Lockwood 1989; Goldthorpe 1969); and, for a contemporary view, (Gallie 1996))

Well ahead in the twentieth century, it seemed that wage earning was becoming the prevalent condition of most people in developed societies. Castel says that, in 1975, 82% of the active population, presumably in France, earned a wage, and assumed that this was the main basis for the establishment of one's social identity everywhere. From today's perspective, and the vantage point of countries outside the main industrial centers,

it is easy to see how this phase was short-lived³. Castel is right, however, in that the generalization of wage earning was and still is perceived as the ideal situation for most people in most countries, and we can follow the establishment of the five elements, or “conditions”, that he believes are associated with this new situation.

The first condition is the clear separation between those who work regularly and the inactive population outside the labor market. In a sense, this is the culmination of the old divisions between the poor and the pauper, the “deserving” and the “undeserving” poor.

The formal definition of an “active population” is a statistical construct that dates from the late nineteenth and early twentieth century in France, England and the United States, and is widely adopted today by statistical offices throughout the world. The underlying assumption is that the “active population” is made up of those responsible for the production of goods and services to society, and are therefore entitled to attention and support; the inactive population is formed by the children, women, elders and infirm, who do not work and are a burden to the others. They are also entitled to charity and support, except for the vagabonds, who have to be dealt with by the police.

With this new concept, the concern with poverty, as a permanent and essential element of capitalism, was replaced by the concern with unemployment, supposed to be a peculiar and temporary condition. In popular parlance, an “unemployed” is a person who does not have a job. In labor statistics it has a very different meaning: an unemployed is a member of the active population who is temporarily out of work. There are many people who do not have jobs and are unemployed in the first sense, but not in the second. The difference is very important, since the unemployed in the statistical sense are supposed to be out of work because of economic fluctuations, and are therefore entitled to some kind

³ In Brazil, today, less than 50% of the economically active population have a regular job and are integrated to the country’s social security system.

of unemployment relief; while those who do not work because they are “inactive” receive a very different treatment, if at all.

But, how to classify the temporary and occasional worker, the worker who does not have a legal contract, the children who work but are not supposed to do it, the drug pusher, the housewife who cares for her children, the child who works without payment at home or at the farm? The International Labor Organization, concerned with making employment statistics consistent throughout the world, has tried answers to all these and other situations, and most countries today, instead of reporting a single figure on employment and unemployment, publish an array of data on full employment, temporary work, formal and informal employment, underemployment, work without payment, etc. With that, we have a better image of what is happening in the world of labor, and we also realize that a neat definition of what is or is not the “active population” was never fully achieved anywhere, and never will.

The second condition is the scientific organization of work. This is the “Taylorist” mode of industrial production, based on the assembly line. The human’s work is divided into minute, simple and repetitive tasks, while all the workers’ knowledge and competence is transferred and absorbed by managers and industrial engineers. Science should be applied not only to the construction of machines, but also to the behavior of the workers. The ideal worker, for Taylor, was the “bovine” type: strong, obedient and docile (Taylor 1911). One consequence of the introduction of this management technology was the disappearance of the old professional crafts, leading to a more homogeneous and undifferentiated working class; the other, however, was the growth of new salaried professions, such as managers, technicians, maintenance and quality control crews. On time, the same principles were extended to the service sector – banks, department stores, offices. For Castel, “it is right to say that this mode of work organization, based on research for the maximum productivity stemming from the rigorous control of operations, is an essential component of the modern wage working relationships” (p. 333). Here again, other trends are establishing limits to this development. The unexpected surge of Japan as a world industrial power in the 1970s and 1980s led to a profound questioning of the Fordist model, and the search for new forms of labor organization, placing more

emphasis on individual competence and group work, and recuperating the appreciation of old craft traditions, which may have disappeared or were never fully developed in new countries like the United States, but were still alive in Old Europe and in Japan (Piore and Sabel 1984)

The third and fourth conditions had to do with the transformation of the worker into a mass consumer, and his access to property and public services. The notion that the worker should be also a consumer is usually attributed to Henry Ford, but was a more general process that changed the nineteenth century perception that the worker had to produce as much as possible at the lower possible cost. With the transformation of the worker in consumer, the radical opposition between the bourgeois and the working classes was replaced by the perception that they had common interests to preserve. Another factor in this commonality of interests was the discovery, by “human relations” specialists, that, for productivity to increase, the workers had to feel happy and good at their workplace (Mayo 1933). Among the public services, the most important was, perhaps, the access to public education. The spread of education to the working classes in modern societies cannot be explained just in terms of working requirements of industrialization. It had more to do with the construction of the modern nation states, and the role of religious and social movements of different kinds.⁴ In many countries, there were more or less successful attempts to develop separate education systems for workers and the upper classes, with different degrees of success. The general tendency, however, was to develop a broad common curriculum, aimed to bring all social groups into a common language and a common set of values.

The fifth condition, finally, was the recognition of the working class as the subject of a special legal condition, which went beyond the private working contracts between the worker and his employee (Castel 1995). The notion, here, was that society is not made up of isolated individuals, but of collective entities, underlying the individual

⁴ See, for Europe, (Vincent 2000); for the United States, (Stevens 1990); for Portugal and Brazil, (Schwartzman 2003)

contracts in the market place. There was a “collective contract” among the social classes which had to be respected. In practice, this meant that the worker’s rights for job stability, paid vacation, accident protection, health and maternity leave, numbers of hours worked and a minimum wage were not open to negotiation, but where required by law or collective contracts between unions and employers of specific companies or segments of the economy. The fulfillment of this condition varied from country to country. It was much stronger in Europe than in the United States, where, however, trade unions have been traditionally powerful and able to impose demanding and minutely negotiated labor contracts. In Brazil, there is a very detailed labor code, and a separate labor justice, with their own judges and courts, to make sure that the code’s procedures are obeyed.

An extreme example of this trend was the “corporatist” model of social organization, adopted by European fascist regimes in the 1920s, copied in Brazil in the 1930s, and still present, without this name, in many countries. In this arrangement, the belief is that society should be organized as a formal corporation, with each person attached to his function – employers, employees, professionals, civil servants. Duties and benefits should be distributed according to one’s social standing and responsibilities. Education institutions would provide the appropriate number of people would be trained to each social position. It would be the role of governments to make sure that everybody performed their duties and received the necessary compensations, and to take care of those incapable of work. As noted by Schmitter, two types of corporatism flourished in Europe (Schmitter 1974). One was the fascist type: authoritarian, top-down, which disappeared as such after the Second World War, but remained in the social organization of socialist countries and in the remnants of the social legislation in Brazil and other countries. The other was the bottom-up, “societal” corporatism, created by the organized corporations of the worker’s unions and professional associations, as in the Scandinavian countries. Between the two, there were countless efforts and attempts to regulate the labor market, controlling who could work, and negotiating agreements between unions and employers on salaries, job stability and other benefits, which had to be sanctioned and maintained by public authorities.

The excluded

The establishment of the “wage earning society” was a long and difficult process, never fully accomplished, and is already being reversed by the impacts of globalization and the new technologies.⁵ Even in the best conditions, to be a salaried worker in a mass consumption society is a limited and constraining situation, and there is an enormous literature, mostly within the Marxist critical tradition, pointing to these shortcomings.⁶ Now, many people, previously protected by this extraordinary social construction, are being expelled. Many others have never entered it, and are unlikely to do so. In the United States, the excluded are a small but important minority, made up in large part by the black descendants of slaves, and, increasingly, by poor immigrants from developing and underdeveloped countries.⁷ In those countries the “excluded” are often most of the people. No wonder that intellectuals have looked for alternative arrangements to the market economy, that socialism seemed to open the way for a better social arrangement, and that religious and community values have reemerged so strongly in recent times.

Why is it that, with such abundance of resources brought about by the new technologies of mass consumption, many people remain excluded, unable to earn their living and participate fully in their society? Are they poor because they are the unwilling

⁵ Or is it that the changes in social institutions, such as the de-regulation of the market and the weakening of the State are taking place for other reasons, related to distributive disputes, and justified in the name of globalization and the new technologies? This will be discussed later.

⁶ The most notable authors in this line are the members of the Frankfurt School, including Herbert Marcuse, Theodore Adorno, M. Horkheimer and Walter Benjamin. See “Illuminations: The Critical Theory” website in the Internet, <http://www.uta.edu/huma/illuminations/>

⁷ Actually, most of the American poor are white. The proportion of the poor is greater among blacks, but since whites are a majority, their minority of poor still comprises most of the poor population. Poverty is “constructed” as a problem of blacks and Latinos but it is actually not exclusively or even for its most part. The problem of “exclusion” is greater of course for blacks and immigrants because they are more likely to live in segregated neighborhoods, even if they are equally poor.

victims of capitalist development, or of some kind of social discrimination associated with it? Or, is there something in their minds, culture and immediate surroundings that prevent them from joining and adjusting to the wage earning and middle classes?

We have seen already the explanation proposed by Polanyi – the market economy destroys the fabric of traditional societies, and is not able, by itself, to create a viable alternative. The answer proposed by sociologists and political scientists in the 1950s and 60s was in terms of the theory of modernization. Modern, market societies were supposed to be based on the values of personal achievement and social relations based on the convergence of mutual interests; traditional, non-market societies were supposed to be the values of status, and social relations based on cultural identity, personal and affective links.⁸ The passage from “traditional” to “modern” societies was mostly a process of psychological and cultural transformation and adaptation, requiring education, empathy, and access to the modern means of communication. These notions were developed to account for the persistent backwardness of the so-called “developing countries”, but could also be applied to the more “traditional” regions in developed countries, such as the American south. In those years, there was a common belief that, eventually, all traditional societies would become modern, and the problem would cease to exist. Early in the 21st century, it has become clear that things are much more complicated, and very little of the modernization theories of thirty or forty years ago is still remembered. (See, among others, (Germani 1973; Pye 1962; Lerner 1958; Inkeles and Smith 1974)).

From old slavery to modern poverty

The twin concepts of tradition and modernization are particularly ill-suited to understand the issues of poverty and social deprivation historically associated with slavery in Brazil, the United States and some of the Caribbean countries, which still

⁸ The main theoretical formulation of this theory is that of Talcott Parsons. For the influence of Parsons in North American sociology, see (Rocher 1975)

affect the living conditions of the back populations in these countries. There are two questions to be considered here, the conditions of the slaves and the conditions of the free poor population that, in Brazil and other Latin countries, was often larger than that of the slaves themselves. How come the slaves did not develop into a full and organized proletariat, as in Europe? How to account for the large population of freemen, who did not seem to fit anywhere in the economic arrangements of slavery?

There was nothing “traditional” in the large sugar and cotton plantations established by the European colonizers in the America, based on slave labor. These were, from the beginning, very modern establishments, producing leading export products for the international market, and driven by a complex international network of slave trade. The brutality and exploitation the slaves suffered in the hands of slave traders and plantation owners was probably not much worse than the exploitation of former peasants, their women and children in the “satanic mills” of the early industrial revolution in England and France. How come that the slaves did not get organized and fight for their rights as the workers in Europe, where industrialization evolved eventually into shared prosperity?⁹

Marxist authors have tried to answer this question by saying that the kind of capitalism that existed under slavery was not a fully developed capitalism, but a mercantilist arrangement, in which neither land nor labor were freely negotiated in the market. Land was granted as privileges to political protégées by the colonial administration, and there was no wage market in which the poor could sell their labor force. The condition of the slaves, however, was just part of the problem. Side by side

⁹ Throughout the Americas, the African slaves fought against their masters whenever they could, establishing independent communities and, in Haiti, a fully black dominated society. There was no similarity, however, between these slave revolts and the European class struggles of the time, since the slaves, typically, tried to run away from the plantations and live independently, while the European workers sought to improve their labor conditions. On slave rebellions, see (Price 1996; Anderson 1996) On Haiti, see (Nicholls 1996)

with the slaves, there was a large and growing population of freemen whose existence and ways of life could not be accounted for by a simple economic interpretation of society, except in a negative sense. Thus, Maria Sylvia Carvalho Franco wrote that

Together with large land holdings, slavery obstructed the establishment of a class society, because it excluded the poor freemen and left the expropriation process incomplete. Placed at the margin of the essential institutions of society and retaining the control of their means of production, the population that could become a free labor force remained protected from the economic pressures that could turn their labor force into merchandise.¹⁰

Authors who studied slavery without the narrow lenses of economic theories, such as Gilberto Freyre in the 1930s and, more recently, Kátia Mattoso, showed that the classic slave plantation was just one part of a much broader and complex situation (Freyre 1946; Mattoso 1986). In the 18th century, slaves were brought to Minas Gerais to work with gold and diamond mining, but in a few decades the alluvial deposits became exhausted, leaving a large population of slaves and freemen living out of subsistence farming. In Brazil, throughout the 19th century, to be a slave could mean very different things – a laborer in a sugar plantation, a servant in the house, a street seller, and even an independent craftsman or artisan. It was possible for some slaves to earn some money, and even to buy their freedom from their owners. The intense miscegenation between “whites,” Indians and “blacks” created a large population of freemen with ill-defined social status who lived around the farms and in the cities, often as part of the extended families of the land-owning elites. In 1808 in Bahia, according to estimations by Kátia Mattoso, there were 144 thousand free blacks and mulattoes, compared with 118 thousand black and mulatto slaves, for a total population of 356 thousand. By the end of the century, according to the 1872 national census, the number of free blacks and

¹⁰ “Ao lado do latifúndio, a presença da escravidão freou a constituição de uma sociedade de classes, porque excluiu delas os homens livres e pobres e deixou incompleto o processo de sua expropriação. Ficando marginalizada nas realizações essenciais da sociedade e guardando a posse dos meios de produção, a população que poderia ser transformada em mão de obra livre esteve a salvo das pressões econômicas que transformariam sua força de trabalho em mercadoria”. (Franco 1969), p. 231.

mulattoes in Bahia had increased six times, to 830 thousand, while the slave population had increased 40%, 167,000 for a total population of 1,380 thousand (Mattoso 1978). By this time, most of the Brazilian population, even those living in the countryside, did not participate any longer in the plantation economy. The old sugar economy had lost its economic importance long ago, the gold mines in Minas Gerais had been abandoned, and the new coffee plantations were already looking for other sources of manpower to replace the slave laborer.

This is the picture of Brazilian society at the end of the 19th century: a small white elite, the remnants of a decadent slave economy, large numbers of free slaves, illegitimate children of white masters and slave women, descendants of Indians and poor whites, and poor immigrants arriving in growing numbers from Italy, Germany, and later, Japan. They would live in the countryside, working in coffee farms, or as sharecroppers with small tracts of land, producing barely enough to survive from one harvest to the other. Increasingly, they would move to the cities, living in shacks, working as street vendors, craftsmen of some kind, helpers, house servants, petty thefts and occasional beggars. They were not an “industrial army reserve” in the European sense, since there was no industrial labor market; and they were not victims of the destruction of a traditional social order, which never existed in their country of destination, except for the native population. In many ways, they were like the *lumpenproletariat* despised by Marx, except that, instead of being a small part of the population, they were the majority. When, years later, Brazil started to develop its own version of the wage society and the welfare state, only a fraction of this population benefited directly from it. This is still the situation today, with more than half of the country’s active population working without any kind of formal contract, job stability and social protection. To be in the “informal” economy is not the same as being poor, since the minimum legal wage is very small, and there are many opportunities for business, profit and work in the informal economy. The fact remains, however, that the reach of the welfare state institutions, as conceived in the 1930s, is very limited, and there are clear limits on what can be achieved if one lives and works outside the framework of public institutions and the legal system.

Was slavery in the US any different from that in the French, Spanish and Portuguese colonies? There is a large literature on this subject, discussing whether slavery was more humanitarian in one or other place, and the long-term consequences of these eventual differences. Herbert S. Klein reviews the evidence, and argues that the situation was more or less the same. Slaves in the US used to live more than in Brazil (the life expectancy was 35 years in the North, and 30 years in the South), and tended to have more children, but this can be explained by the general health conditions of the populations in the two regions, rather than by different treatment (Klein 1999). On the other hand, race relations were very different, with rigid caste-like barriers dividing whites from non-whites in the United States (as well as in South Africa), and much more fluid dividing lines in Brazil. Different explanations have been offered to this, some related to the nature of the colonial enterprise in the two regions (immigrant settlers versus adventurers and fortune seekers), the differences between Catholic and Protestant churches, and other kinds of cultural explanations. There were also attempts to link the differences to the internal conflicts in the processes of nation building in the different regions, or to the disputes for jobs in the labor market among different ethnic groups. Summarizing some of this discussion, George M. Fredrickson observes that

Despite recent revisionist studies, there is no doubt some truth in the traditional view that Brazil, while still a Portuguese colony or a Portuguese tropical empire—and well before it aspired to be a modern nation-state—established a pattern of racial relations that differed significantly from that which developed in the United States and South Africa. The mulatto, or pardo, stereotype was—and to some extent still is—quite different from that of blacks, or pretos. Brazil's limited openness to mixing races offered some mulattoes access to many of the advantages of Euro-Brazilian status. Those who were light-skinned and well-educated could be hired for well-paying jobs, run businesses, buy desirable property, obtain government and military appointments, and marry white partners. The many different color categories in Brazil and the permeability of the boundaries between these categories meant that a system of Jim Crow segregation or apartheid would have been very difficult to impose in Brazil even if there had been a strong political incentive to do so. It was simply too difficult to determine who was what on the basis of physical appearance alone. ((Fredrikson 1999) See also (Marx 1998; Klein 1967; Tannenbaum 1947))

Urban poverty in the US

Like in Brazil, the descendants of the old slaves of the 18th and 19th centuries are the core of urban poverty in the US, together with the more recent waves of immigrants from Mexico and the Caribbean countries.. In their excellent summary of the American literature on urban poverty, William Julius Wilson and Robert Aponte show how, at the turn of the 19th century, the main concern was with the living conditions of European immigrants, and how, after the 30s, the issues of poverty more or less disappeared from the literature, being replaced, after the 1930s, with questions related to the organization and functioning of the welfare state under the New Deal (Wilson 1987). Poverty and deprivation, of course, were central concerns in the years of economic depression, but the understanding was that these were economic issues, and there was no need to look at the poor as a social group requiring special attention, distinct from the policies of the New Deal. After the Second World War, say the authors, “the general prosperous decade of the 1950s was hardly a stimulus to social scientists and policy makers to recognize and address the problems of a growing concentration of citizens in our central-city slums and ghettos” (p. 166).

The “rediscovery of poverty” in the United States occurred in the 1960s, first under Kennedy, and later, more forcefully, with Lyndon Johnson’s War on Poverty program of 1964. For the first time, it was officially recognized that some social groups – the elderly, poor children, and a significant portion of the black population – would not be able to benefit from the gains of an improved economy, and that poverty was associated with other social problems, like juvenile delinquency, illiteracy and urban blight, which could not be approached in isolation. To change the situation, it was necessary to develop job-training programs, to provide direct support to unable people to work, and to stimulate community participation. This change in perspective is attributed, in large part, to some influential books of those years – John Kenneth Galbraith’s *The Affluent Society* and Michael Harrington’s *The Other America* – and also to the growing concern with the living conditions of the black population, spurred by the civil rights movement (Galbraith 1998).

In the sixties, poverty became again an important subject for social research, with the attention being placed and strong controversies developing on the relations between poverty and culture. At the same time, the government established an official “poverty line”, which became the standard to measure and compare the changes in poverty in the country. This measurement has been subject to strong criticism – it does not include in-kind income, and its income cutoff point may be too low – but it allows for long-term analysis and comparisons among different regions and social groups. What it shows is that there was a very important reduction in poverty levels in the US in the 1960s; it declined from about 22 to 12.8% of the population, and has remained more or less at this level since then. It also shows that the incidence of poverty has moved very sharply from the countryside to the urban areas, affecting the black population, but also a significant number of whites. Most of the poor are whites, because whites are the large majority of the population; but the relative incidence of poverty and poverty-related indicators of social dislocation (crime, out-of-wedlock births, female-headed families, and welfare dependency) is much higher among blacks (Wilson 1987).

The publication, in 1965, of Daniel Moynihan’s report on “the Negro family” (US Department of Labor Office of Policy Planning and Research 1965) gave rise to intense controversies and a very large body of social research which still goes on, and is well summarized in Wilson and Aponte’s text. The basic proposition in the report was that the black population was being divided into two segments, one turning into a stable and successful middle-class, and another, what became known as an “underclass”. For this segment, the problem was said to be the vicious circle created by the disorganization of the family, with the large number of female-headed households, single mothers, and welfare dependency. Persons who could escape the poor and destitute communities formed by such families would do so, joining the middle classes, while leaving the communities deprived of breadwinners and role models. Moynihan attributed this situation to the long history of slavery and discrimination against the American blacks, and proposed vigorous policies to compensate for it.

It would be impossible to provide a fair summary of the enormous controversies surrounding this report, and the many studies that followed from it. Basically, the debate

was between those who thought that the roots of the problem lay in some traits of the black culture (or even the black race), including a supposed tradition of matriarchy, and those who thought that the problems derived from the situation in which the black population had been placed by the predominantly white society.

In other words, it was a debate on whether poverty was the responsibility of the poor, as Malthus had argued more than two hundred years ago, or a byproduct of the modern economy and society. For instance, there is a growing literature showing that the imprisonment of blacks is a major cause of the destructureation of black families, and of the bad labor market and educational outcomes of black males. In some places, 50% of the young black population is incarcerated. In some places, 50% of the young black population is incarcerated. The war on drugs and the disproportional policing of black ghettos has been an important cause of this situation. This is consistent with the male-female gap among blacks in several outcomes, with the decline in marriage, and so forth.

The truth, argues Wilson, is somewhere in between. It is certain that many of the poor never get the opportunities and the support they need to move out of their condition of poverty and social exclusion, and suffer from prejudice and discrimination; and it is also true that, in their situation of deprivation, they may have developed attitudes and behavioral patterns that make it difficult for them to seize the resources and opportunities that are offered, attitudes and behavior that need to be properly known and understood.¹¹

The best overview of the “underclass” debate and its impact on social policy in the United States is probably the book by Christopher Jencks, *Rethinking Social Policy* (Jencks 1993). He looks at the available evidence about the changes on the main components of the “underclass syndrome” – poverty, male and female joblessness, the

¹¹ Wilson refers here to a 1968 text by H. J. Gans, who seeks to explain the development of an underclass behavior in terms of the gaps between aspirations and norms, a direct application of the classic theory of “social structure and anomie” developed by Robert K. Merton in his classic 1938 paper. See (Gans 1969; Merton 1938)

education gap, violence, teenage and out-of-the wedlock motherhood – and finds that these are, in large part, independent situations, which have not changed in the same direction. At the time of his writing, in the early 1990s, joblessness among the young and out-of-wedlock pregnancies were increasing; but crime had stopped to increase, and education achievement was also increasing, especially among blacks. His main conclusion is that the concept of an “underclass” is probably not a very useful one. Each of these issues had their own causes, requiring specific policies, and, although they would often come together in the same areas and population groups, they should be treated one by one, and not as part of a single “underclass” culture.

This is a very sensible proposition. The “underclass” debate is very ideological, and there is a dangerous tendency, among conservatives, to look at the poor and black as a unified entity, bound by a particular culture, defined mostly by negative traits, and, from that perspective, to treat all its presumed members with prejudice and open or disguised discrimination. On the other hand, it is undeniable that there is a distinctive black culture in the United States, some of it associated with urban poverty and life under discrimination and prejudice, and some of it associated with a whole range of lifestyles and behavior, from the peculiar use of English language to a special relationship with music and the organization of social and community life, which is not better or worse than that of the white and other ethnic groups in society.

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Poverty, Social Exclusion and Modernity

Simon Schwartzman

5. The globalization debate

From dependency to globalization

By the 1990's, the dependency theories had lost their appeal as an explanation for the problems of underdevelopment and poverty outside the industrial centers. This was for two main reasons. First, countries that had been trying to follow policies of economic self-sufficiency and forced industrialization were not achieving the results they expected. Second, countries like Korea and Taiwan, the so called "Asian Tigers", considered by then extreme examples of economic and political dependency towards the United States and Europe, were showing unexpected levels of economic development and growth. Fernando Henrique Cardoso, the author of the best known book on dependency in the 1960s, was elected President of Brazil in 1994, and embarked in a policy of economic adjustment and international free trade. Instead of dependency, the new buzz word is globalization.

An initial, but shortsighted explanation for the achievements of the "Asian Tigers" was purely external: the assumption was that these countries were successful because they had kept their economies open to the international markets, while countries like India and Brazil did not. However, this explanation was not sufficient, since, for instance, the presence of the State in the economy of Japan, Korea and Taiwan had been much stronger than in any country in Latin America. It was necessary to go back to the countries and try to understand, beyond the circumstances of the Cold War and short-term economic options, why some were able to carry out internal and external policies that allowed them to reap the benefits from participation in the international economy, making their societies richer and more egalitarian, while others did not. This included some old questions, like their different climate and natural resources (Landes 1999) and

others not so old, like the way their governments were organized, the extent and quality of public education, the space allowed for free enterprise, how they dealt with science and technology, and the legal, institutional and cultural conditions for the operation of efficient public administration and modern business enterprises. The World Bank, a central institution in the new global world, has had an important role in fostering this line of enquiry, trying to influence countries to reform their institutions and harvest the benefits that were supposed to flow from the new international scenario¹.

The second approach was to put emphasis not on countries, but on the new international context, described now by the term “globalization,” as something different and more overwhelming than the old “internationalization”. There is no consensus on what this new globalization actually means; but the starting point is the intense penetration of national societies by all kinds of international networks, associations, institutions and cultures – financial markets, large multinational companies, nongovernmental organizations, the international media, instant communications, academic circuits, religious movements and new international and multilateral institutions, such as the United Nations, NATO, the European Union and the Arab League. Globalization is seen as a multi-dimensional trend, with economic, military, cultural, technological, political and environmental aspects and consequences, each requiring special attention. A common feature of this second approach is sometimes a rebirth, in new clothes, of the old dependency theory: the notion that the global constraints placed on individual countries are too strong to be countered by local policies, and a renewed concern with the need to reform the international order. Instead of the old imperialism and neocolonialism, the culprit is now globalization, with similar consequences and implications.

¹ This is evident from the subjects of most of the Bank’s “World Development Reports” since the 1990s. see (World Bank 1993) (World Bank 1990, 1994, 1995, 1997; World Bank and Yusuf 2000)

The Washington Consensus

The first dramatic manifestation of the risks of globalization was the financial and currency crisis that affected Mexico in 1982, and spread out to other countries in the following years. In Latin America, the 1980s became known as “the lost decade”, and one explanation for what happened was the inability of the countries in the region to adapt to the volatility of international capital flows and the other changes brought about by globalization. International organizations, and more specifically the International Monetary Fund, were called to help the countries to deal with the situation, and developed a view of what the countries should do integrate and benefit from the world economy, The expression “Washington Consensus” was coined by the economist John Williamson in 1989 to describe this view (Williamson 1990). Twenty years later, after recurrent crises in Latin America, Asia and Russia, it became obvious that something was seriously wrong, and the Washington consensus came under attack. One of the best-known critics was Nobel Prize economist Joseph E. Stiglitz, formerly the chief economist and senior Vice-President of the World Bank, and before that the Chairman of the Council of Economic Advisers to President Clinton (Stiglitz 2002).

The original paper by Williamson was an attempt to spell out what the Latin American countries should do in order to “setting their houses in order” and qualify for support from the World Bank and the International Monetary Fund, from the perspective of these agencies. It was a list of ten economic policy recommendations, around three basic ideas: macroeconomic discipline, a market economy, and openness to the world.

Stiglitz and Williamson agree on their diagnosis of the crisis faced by the Latin American economies in the 1980s, as well on the main recommendations on how to deal with them. The explanation was, first, that these countries were spending beyond their means, and this was leading to inflation and the disorganization of the economy. Fiscal discipline was particularly difficult for the democratic regimes that replaced the military governments of the 1980s. The growing public expenditures were a consequence of the overextension of the state apparatus, through political patronage, a large and mostly ineffective public bureaucracy, the creation of heavy and usually non-competitive

companies, the uncontrolled expansion of social benefits and pension systems, and widespread corruption. Second, they were importing more than they exported, and the deficits in the balance of payments led to growing indebtedness. To correct these two problems, they should *cut public expenditures* and *devaluate their currency*, favoring the export sector. Third, their economies were closed to international markets and technologies, which led to high prices internally, and the inability to import; for this, they should *lower their tariffs*, forcing the national companies to compete. The basic recommendations were that they should reach *macroeconomic equilibrium*, that is, not to spend more than what was allowed by their tax basis; not to import beyond their ability to obtain dollars; and keep inflation under control. They should *liberalize their economies*, opening up for foreign capital investment and international trade; and *privatize public owned companies*, particularly in areas such as steel production, energy, public transportation, and telecommunications. With privatization, the public sector could get resources to help to balance its accounts, private capital would bring new investments, and the quality of products and services would improve.

This diagnosis and recommendations are still strongly contested in Latin America. During the Brazilian presidential campaign of 2002, the Cardoso government, which worked hard and quite successfully to put the Brazilian economy in order, was accused by the opposition of dismantling Brazil's public sector, sacrificing economic growth and public services for inflation control, and surrendering the economy to international bankers, capitalists and speculators. His party lost the elections. The Workers Party, PT, as well as the new President, Luis Inácio "Lula" da Silva, had a long history of fighting against these policies, favoring the expansion of the public sector, and preaching policies based on the protection of national industries, growing social investments, and control of the flow of foreign capital. Politicians like Néstor Kirchner in Argentina, Alan García in Peru, and Hugo Chávez in Venezuela had defended similar policies. Lula's economic policies, however, have been as conservative as those of Cardoso, if not more. García and Chávez' policies have failed, and it is too early to say what will happen in Argentina. In spite of their eventual popular and electoral appeal, it does not seem to be possible to reenact, in the 21st Century, the policies of inflation, isolation from the international

economy and uncontrolled growth of the public sector, which led to the crises in the seventies and eighties.

Williamson and Stiglitz do not disagree on the needs for fiscal responsibility, free markets and lean governments, and they concur that these policies tended to be implemented dogmatically, often based on simple-minded market ideologies, and without taking into account the specific situations of each country.

Privatization, which Stiglitz believes was an important goal, was often undertaken with haste, led by the short term urge of reducing the public deficit and generating resources to pay the debts, and under the wrong assumption that private groups would always come up to compensate for closed public companies and services. In Brazil, privatization was clearly a success in the areas of mining, steel production and telecommunications, but a disaster in the area of energy, for instance. In Russia, privatization led to the creation of a new, mafia-like oligarchy that took control of most of the country's economy and political life. In the absence of appropriate regulatory frameworks and well established markets, privation can lead to situations of corruption, monopoly, reduction of public services, growing costs for the population, and unemployment (Manzetti 1997). It seems clear that the solution for these problems is no end with privatization, but to do it properly.

Trade liberalization, another important policy, can easily lead to the destruction of local and small companies, generating unemployment and social dislocation. Stiglitz says that there was a clear hypocrisy in the US policies in this regard, since it pressured for and often obtained liberalization measures from developing countries, while keeping its agriculture protected by very large subsidies. Trade negotiations are a fertile field for the manifestation of special interests in the developed countries, which other countries have difficulty in handling. The liberalization of financial markets is still more problematic. Most Latin American countries had inefficient public banks, used politically and supported through inflation, which had to be closed or handed over to the private sector. The combination of economic stabilization and international opening led many banking systems in Latin America either to bankruptcy or to dramatic and expensive

reorganizations (Kaminsky and Reinhart 1999). The free flow of international, speculative, “hot” money brought more problems than benefits, since it seldom led to long-term investments and new jobs, created the need for large international collaterals that tied up public resources, and it was the first to run out in situations of uncertainty, creating very serious crises of confidence.

Could it have been different? Stiglitz believes that it could, and has several examples of countries, from Chile to China, that were able to avoid the major pitfalls of the IMF version of the Washington consensus. The main problem with the IMF approach, for him, was the dogmatic and authoritarian way in which its policies were imposed, leaving little or no space for the countries to make use of their own competencies and adapt to their peculiar conditions. There was no concern with the pace and sequencing of the reforms, both because of the market fundamentalism of the IMF authorities, and of their almost imperial power over the countries that needed their support. Proper policies of economic readjustment should consider that there are no market automatisms to compensate for the destruction of traditional institutions and companies; that a market economy, to grow, needs well-established institutions, including a properly functioning legal system, property rights, effective anti-trust legislation, and the availability and freedom of information. The transformation agenda should not be limited to economic equilibrium and the expansion of the market economy, but should include items like the maintenance of employment and basic social services, land reform, public education, and a direct attack on situations of extreme poverty.

More fundamentally, Stiglitz believes that economic transformation requires the preservation and gradual transformation of society, led by competent and legitimate leadership. Governments may have to become less expensive, but they need to improve their ability to regulate the economy and to implement social policies, and no reform can be done from Washington, without the active commitment and participation of leaders and intellectuals of the countries themselves.

It is easier to point to the problems associated with the Washington consensus than to suggest a better alternative, since it seems impossible, and undesirable, to return to the times of closed economies, growing public deficits, and permanent social inequity.

Dani Rodrik, a Harvard economist identified, like Joseph Stiglitz, as a member of the “Cambridge Dissensus” (Bacha 2002), also agrees with the main economic objectives, but put his finger in the problems associated with attempts to translate general policy recommendations into specific institutional arrangements, which are far from obvious and automatic:

Principles such as appropriate incentives, property rights, sound money, and fiscal solvency all come institution-free. We need to operationalize them through a set of policy actions. The experiences above show us that there may be multiple ways of packing these principles into institutional arrangements. Different packages have different costs and benefits depending on prevailing political constraints, levels of administrative competence, and market failures. The pre-existing institutional landscape will typically offer both constraints and opportunities, requiring creative shortcuts or bold experiments. From this perspective, the “art” of reform consists of selecting appropriately from a potentially infinite menu of institutional designs (Fischer 2003).

The impact of globalization

Early in his book, Stiglitz says that, in recent years, “the gap between the rich and poor have been growing, and even the number in absolute poverty – living on less than a dollar a day – has increased.” (p. 24). But has it? The actual effects of globalization in the economy are the subject of a detailed analysis by Stanley Fischer, First Deputy Managing Director of the International Monetary Fund from September 1994 to August 2001, in an indirect reply to Stiglitz’s criticisms (Fischer 2003).

The landmark of globalization, for Fischer, was the breakdown of the Bretton Woods world monetary system, established in 1944 by the agreement that created also the International Monetary Fund and the International Bank for Reconstruction and Development, now known as the World Bank. Until the seventies, there was the general expectation that the currencies of all countries would have a fixed relationship with the dollar – a “pegged exchange” rate – and it was the mission of the IMF to provide support and assistance to countries in circumstances in which this rate was difficult to maintain. After the 1970s, with the grow of international capital flows and the use of monetary policies for domestic purposes, currency values started to float, leading to instability in

the financial relationships among countries. This was not a new phenomenon, since international capital flows today are not higher than they were, proportionally, before the First World War; but was an important departure from the situation of the last fifty years or so, and is raising.

Fisher starts his paper by quoting the late economist Rudi Dornbusch, which, in his awe towards globalization, reminds one of Marx's fascination with capitalism, almost two centuries ago:

This century, and in particular the last three decades, have witnessed just that as the nation state has been dismantled in favor of a global economy, state enterprise and economic repression give way to free enterprise, and breathtaking innovation and greedy capitalism break down government and corporate bureaucracies. Anyone who says impossible finds himself interrupted by someone who just did it. The process is far from complete; innovation and free enterprise spread the mindset, the success and the acceptance of this model to the horror of status quo politicians and the sheer exuberance of all those who are willing to embrace a can-do attitude. If this century taught anything it is surely this: even daunting setbacks like depression and war are only momentary tragedies – buying opportunities, if you like – in a relentless advance of the standard of living and the scope for enjoying better lives. One of the great economists of this century, Joseph Schumpeter - Austrian finance minister of the 1920s and Harvard professor at the end - wrote of creative destruction as the dramatic mechanism of economic progress. That process is at work (Dornbusch 2000).

Fischer agrees with Dornbusch, but with less enthusiasm. He looks at the available evidence on changes in the global economy in the last several decades, and finds a mixed picture. On poverty, his main conclusion is that the situation is improving, specially in heavily populated countries, like China and India, with little change in Latin America, and a clear deterioration in southern Africa, associated in large part with the spreading of AIDS. Income inequality, on the other hand, seems to be growing, both among and within countries. In other words, the poor are getting less poor, but their distance from the rich is growing. Is this the consequence of the opening of national economies to the international market? On that, he examines the effects of the free circulation of capitals, not just trade. The evidence is that the countries that performed better had opened their economies for trade and capital flows, but not all countries that opened up were successful. An open economy, concludes Fischer, is a necessary, but not

a sufficient condition for economic growth. On the long run, as a true liberal economist, Fischer believes that capital should be free to roam through the world in search of the best possible returns; on the short run, however, he agrees that it may be necessary to place some limits on this flow, as Chile did successfully for a period; but above all to make the financial conditions of the countries more transparent, and make sure that the overall macroeconomic conditions are right – reduced public deficits, low inflation, and adequate interest rates.

Fischer believes also that the international global trading system is unfair and unfavorable to the developing countries, because of the protection and subsidies of the agricultural sectors in Europe and the United States. He does not lend support, however, to the old views of Raul Prebisch and the UN Economic Commission of Latin America about the long-term superiority of industrial over agricultural economies in international trade, and believes that the current imbalances can be overcome through negotiations within the World Trade Organization.

At the end, Fischer discusses the role of the International Monetary Fund and how it could become more effective. Implicitly, Fischer accepts many of the criticisms voiced by Stiglitz, and supports the view that the IMF should improve its performance, by “more focused conditionality, with an emphasis on macroeconomic policies and those structural measures essential to macroeconomic stability, and greater efforts to ensure country ownership of programs.” He also believes that the Fund should become more transparent and accountable towards the governments that are its shareholders. He is skeptical, however, about the involvement of non-governmental organizations in overseeing the Fund’s activities, and does not question the Fund’s overall mission and goals.

What can we expect from the future? Most of what will happen depends on the economic growth of the industrialized countries. If the world economy continues to grow, almost everybody can benefit from it; if it does not, it will be much more difficult. Some large and important countries in the developing world, such as India and China, are moving ahead, and, in Latin America, some countries are getting organized and perhaps finding their ways – Chile, Mexico, Brazil. The big problems are in Africa and in many

Latin American countries, particularly in the Andean region. The policies for the future, for Fischer, should not be different from those of the past. It will be necessary to go ahead with the recommendations of the Washington consensus, with more emphasis on poverty, the establishment of social safety nets for situations of extreme poverty, and institutional reform. It will be necessary to end with the trade barriers against the poor countries, and increase international aid; and mechanisms should be devised to make the international financial system less crisis prone. It would be necessary to have better policies for international migration, and improve governance throughout.

All these propositions would require much stronger and competent multilateral organizations, and go against the current trend of growing unilateralism in the United States. International aid, which could deal directly with the problems of poverty in the poorest countries and help them to improve their economies, has been declining steadily. This is so particularly regarding the United States and other rich economies, perhaps because of the poor results of aid programs and the mismanagement of the resources in many countries. The end of the cold war and the weakening of the United Nations and other multilateral organizations can also explain the growing neglect to which the poorest countries have been treated. Fischer concludes his paper by a somber note, saying that

As the words of Keynes remind us, we cannot take it for granted that the world will continue down the road of globalization, greater prosperity, and greater democracy. That may be an astonishing thing to say at the end of a century that witnessed the first sustained competition between two clearly defined economic and political systems. The pro-democracy, pro-market, pro-globalization system won that contest decisively. Nonetheless that system is under attack.

George Soros, the economist and financier who profited so much from playing the financial market and is now a philanthropist, is much more critical of the global capitalist system as it stands today than Stiglitz (Soros 1998). His writings are sometimes difficult to understand for readers not familiar with the intricacies of financial markets, and heavily marked by his personal involvement in specific situations. He introduces the concept of “reflexivity” to express the notion that economic realities are not independent from the observer, but are shaped in large part by the interpretations and actions of those

who try to understand and deal with them². For him, reflexivity is more important than equilibrium for the understanding of economic realities, particularly in the financial markets. The broad conclusion, however, is not difficult understand: global financial markets are inherently unstable, and need control and regulation. The IMF, by stimulating the countries to open their economies and providing them with resources to overcome short-term crises, became part of the problem, rather than the solution. Given this situation, he sees only two outcomes: either countries would tend to withdraw from the global economy, or be pushed out from it; or the most developed countries would agree in the establishment of a much more regulated international capital market.

Writing in 1944, Karl Polanyi talked about the three “fictitious commodities” that had been thrown into the markets by capitalism, but should be placed under social, non-market controls – land, labor and money. Land remains an important issue in many societies, but, overall, the process of destroying the traditional peasant societies, moving the population to the cities, has completed its course. The development of the welfare state placed strong limits on the free commoditization of labor within the nation-states, and there are many more restrictions now for the international flow of labor than a century ago, when millions of immigrants moved from Europe and Asia to other parts of the world. The problems of globalization today are in large part associated with the commoditization of money, and those who know more about it would agree with Polanyi that money is too important to be left to be controlled by markets alone.

² The concept by itself, also known as the “Pygmalion effect”, is nothing new (“I shall always be a flower girl to Professor Higgins, because he always treats me as a flower girl, and always will, but I know I can be a lady to you because you always treat me as a lady, and always will”). It was made explicit by Robert K. Merton on his 1957 article on “the self-fulfilling prophecy”, and is widely adopted by sociologists of science since then. Its use in economic analysis, however, is more recent (Merton 1957)

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Poverty, Social Exclusion and Modernity

Simon Schwartzman

6. The End of Work?

The Luddites.

In modern societies, new technologies are being constantly introduced to substitute human labor for automated work. Shouldn't we expect that, on the long run, regular employment would be the exception, rather than the rule?

The historical evidence in industrial countries, at least until recently, has been that modern technologies lead to the creation of more wealth, higher aspirations, better standards of living and more jobs, not less, for a growing and wealthier population. The usual explanation for this is the so-called "Say's Law", formulated by Jean-Baptiste Say in the early 19th century, according to which "supply creates demand", and, consequently, there will be always jobs for people to earn money and buy the products generated by an increasingly complex and productive economy. Technological innovation, by increasing productivity, could lead to eventual problems of short-term unemployment, but, on the long run, the availability of jobs will adjust to the supply of goods and services. There is a large debate among economists about the different interpretations and applications of this law, particularly regarding the periods of economic recession, which are often explained in terms of "excessive supply" or weak demand" (Baumol 1999). On the long run, however, most analysts would agree that Say was right.

From this perspective, the reaction of the early 19th century workers in England, France and other countries against the introduction of machinery in the agriculture and industry, which became known as "Luddism", tends to be perceived as a kind of primitive reaction of ignorance and fear of workers regarding modernity, without further

consequences. Eric Hobsbawm, in a classic paper of 1952, describes this common view as the notion that

The early labor movement did not know what it was doing, but merely reacted, blindly and gropingly, to the pressure of misery, as animals in the laboratory react to electric currents. The conscious views of most students may be summed up as follows: the triumph of mechanization was inevitable. We can understand, and sympathize with the long rear-action which all but a minority of favored workers fought against the new system; but we must accept its pointlessness and its inevitable defeat (Hobsbawm 1952).¹

Hobsbawm's believes that machine-breaking was not always against the new technologies per se, but a common practice in the early class struggles of the time, a way of pressing the capitalists for better salaries and working conditions. The introduction of new equipment was often followed by changes in work relations and conditions, which required prompt action, sometimes through the destruction of the machines. It was true that many people reacted against the machines as such, not only workers, but also small industrialists and artisans who saw their livelihood and life-styles threatened or destroyed by the new technologies and the concentration of property and capital. But this, argues Hobsbawm, was not the most important. The worker, he says, "was concerned, not with technical progress in the abstract, but with the practical twin problems of preventing unemployment and maintaining the customary standard of life, which included non-monetary factors such as freedom and dignity, as well as wages. It was thus not to the machines as such that he objected, but to any threat to these – above all to the whole change in the social relations of production which threatened him" (p. 62).

These are still central issues in the current debate on the advancement of technology and its impact on the life of work. Is it true that new technologies lead to unemployment? How is employment, work and lifestyles transformed by the new technologies? How much of the transformations that take place are due to technological

¹ On Luddism, see among others (Thomis 1972; Thompson 1964)

innovations and transformation, and not to other factors, having to do with conflicts for the redistribution of wealth, and the way social relations are established in the workplace?

Technology, globalization and unemployment

The history until the late 20th century seems to confirm the wisdom of Jean-Baptiste Say: in spite of wars and periodic economic crisis, there is no evidence that advancements in technology led to long-term, structural unemployment in industrialized societies. More recently, however, the ghost of unemployment emerged again, as associated with the issues of globalization.

This question has been discussed intensely in Europe, particularly among neo-Marxist authors. Göran Therborn, in the 1980s, attributed variations in employment among developed countries to specific policies adopted by different political regimes. Looking at the employment data, he says that the hypothesis of a “decline of the work society” is untenable. Unemployment is not fate, he argues, but the consequence of specific government policies (Therborn 1986). The long view is provided by Walter Korpi, who talks about a “great trough in unemployment” in Europe, an exceptional period of almost full employment in the developed countries, lasting from 1950 to the early 1970s. Before and after that, most industrial countries lived with unemployment levels of about 10%, with important variations by country and by specific social groups.²

The usual explanation for the raise of unemployment in the 1970s is that it was caused by the efforts of industrialized governments to control inflation, as a reaction to the increases of oil prices. To keep their economies working in a competitive environment, countries had to reduce social expenditures, and those which failed to do so, like Germany, France and Belgium, would have to accept much higher levels of unemployment than countries with unregulated and unprotected labor markets, like the United States. Korpi, however, argues that the decision to give priority to inflation control against full employment preceded the oil shock, and was a deliberate movement

² (Korpi 2002)

of political and business elites in capitalist countries to change the distribution of wealth in favor of the capitalists. He agrees with Therborn, against the mainstream economists, that unemployment is not just a natural consequence of macroeconomic conditions, but a consequence of policy decisions. The graphics describe the situation. Unemployment levels in Europe used to be around 10% until the 1940s. After the Second World War, they came down to around 2 to 3%, and remained so until around the mid-seventies, when they started to grow again, reaching the pre-war levels in the 1990s.

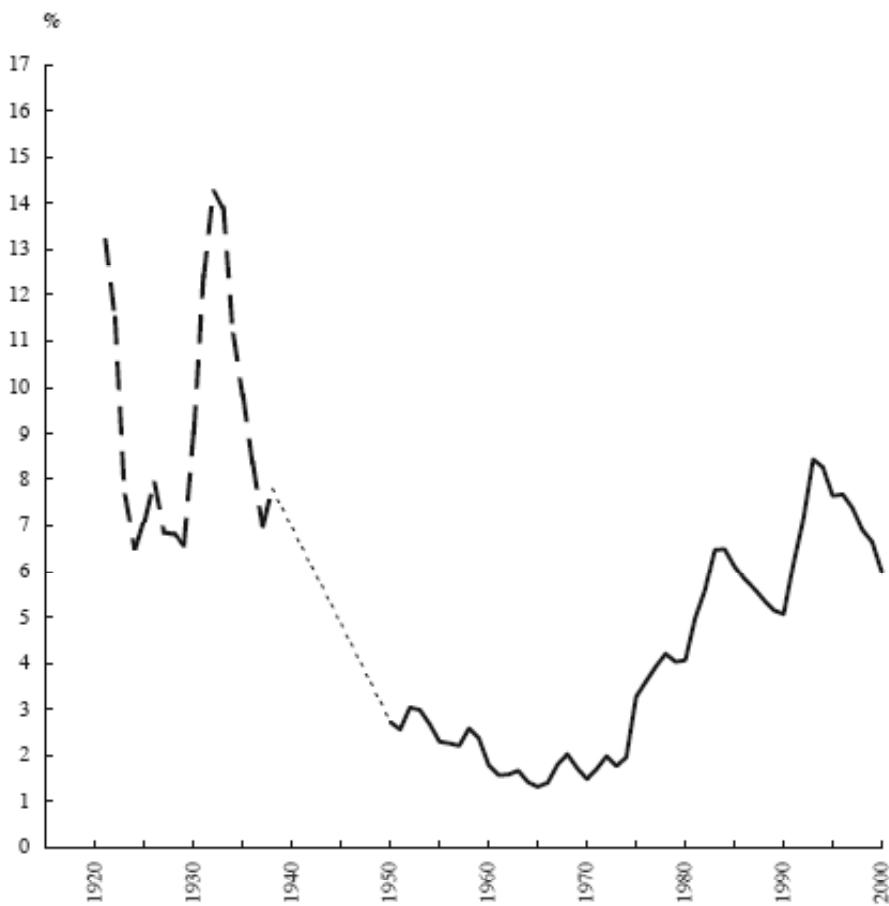


Figure 1. The Great Trough in unemployment

Note: 1921-1938: Average for Sweden and the United Kingdom;
 1950-2000: Average for Australia, Austria, Belgium, Denmark, Finland, France, Germany, Japan, the Netherlands, New Zealand, Norway, Sweden, Switzerland and the United Kingdom.

We could not possibly try to solve this dispute about the causes of the raise in unemployment here. One complication is the very notion of “unemployment”, usually defined as “persons who do not work but are willing to do so”. Persons who are outside the labor force – typically, many women and young people – are usually not considered as unemployed, but “economically inactive”, and therefore outside the labor force.

Because of this, figures on occupation may be more significant than figures on unemployment, which tend to rise whenever the demand for occupation increases (meaning that, contrary to the common view, it is possible to have more employment and more unemployment at the same time).

In Western Europe, with well-established unemployment benefits, it is easier to remain unemployed for long periods than in the United States or Latin America, where there is little or no unemployment protection. The notion of “work” is also more complex than it may seem. Persons who get any kind of payment for any kind of economic activity are considered as “occupied”, regardless of whether they have a permanent or a temporary job, or whether they are part-time or full-time employees or street vendors.

So, it is necessary to go beyond the gross unemployment figures and look at possible changes in the volume and nature of the employment, and on whether economic inactivity and unemployment are affecting some specific groups. As a recent OECD study stresses, access to employment tends to be more limited to groups such as elderly people, single mothers, disadvantaged youth, people with disabilities, immigrants, women (OECD 2003). Unemployment among young people in the developed economies tends to be two to three times higher than the average, and we should bear in mind that this refers only to young people actively looking for work, not counting, therefore, millions that remain as students or delay their entrance in the job market. This could be interpreted as meaning that it takes some time for young people to find jobs, but can also be interpreted as meaning that the new generations will never have the same kind of job markets and work opportunities that their elders had.

The quality and nature of work

Another important distinction is between “good” and “bad” jobs. Good jobs are those that are meaningful, pay well, are stable, and protect the workers when they are ill, or when they retire. Bad jobs are the ones that are boring, repetitive and exhausting, pay low salaries, are precarious, and are not associated with any kind of welfare protection. These characteristics do not necessarily come together. Precarious and part-time jobs can be challenging and motivating, while stable jobs can become routine and meaningless. In

Europe, where stable and good quality jobs tend to predominate, precarious work is increasing rapidly, and this is a cause of concern. According to the OECD report,

Part-time jobs accounted for half or more of total employment growth over the past decade in one-half of all OECD countries, and for a considerable share of new jobs in quite a few more. Part-time work accounted for a particularly large share of total employment gains for women and youths in most countries – and also for older workers in a smaller number of countries – suggesting that shorter working hours are often useful for reconciling paid employment with other activities, such as parenting, study or a form of phased retirement. Temporary employment also grew in two thirds of OECD countries, but accounted for half or more of total job gains in only five countries. Although temporary employment generally was less dynamic than part-time employment, its expansion raises particular concerns because the majority of temporary workers would prefer permanent jobs and the spread of temporary jobs may account, in part, for the decline in subjective appraisals of job security (OECD 2003)

If this is the reality in the developed economies, it is much more so in Latin America and other less developed societies. In Brazil, about half of the economically active population is in the so-called “informal” sector, meaning that they do not have legal working contracts and are not protected by social legislation. In some cases, these can be interesting and entrepreneurial activities, leading to earnings higher than in regular paying jobs. For most part, however, they are just unskilled, underpaid and precarious labor. According to the United Nation Economic Commission for Latin America, in Brazil, the proportion of persons working on their own and as family members without salaries went from 22% to 28% between 1991 and 1999; in Bolivia, the proportion was 48% in the year 2000; in Chile, Argentina and Mexico, around 20% (CEPAL 2002). These data are the evidence of what Göran Therborn described in his 1985 book as the ‘Brazilianization’ of labor, a dark future he projected for the advanced economies if they did not return to an active pro-labor policy: a combination of a large segment of underemployed persons, living out of precarious jobs in the informal and sometimes the illegal economy; a smaller and dwindling sector of stable employees in public jobs and large firms; and a small and highly profitable segment of businessmen and high level administrators (Therborn 1986).

Job flexibility is the key concept in the broad picture drawn by Martin Carnoy of the transformation of work in the new economy, as seen from the perspective of Silicon Valley in California, in a book published just before the burst of the “dot com bubble” in 2000-2001 (Carnoy 2000)³ It is not true, argued Carnoy, that the new technology is reducing the availability of jobs. But the work system is being profoundly altered, and the old institutions that used to provide support to the life of work have to be adapted also to the new realities. There is a “high road” to workplace flexibility, and also a “low road”:

- The high road of improving productivity by developing high-performance workplaces based on worker training, worker participation, wage incentives, and job security. Both blue- and white-collar work are recognized along new forms of a white-collar model in which workers pursue and are rewarded for achieving individual and collective goals and in which flexibility and fluidity are not perceived by the workers as a threat; and
- The low road of reducing labor costs through outsourcing labor hires, fixed-term and part-time labor contracts, and pressuring governments to reduce real minimum wages and the power of the unions (p. 69).

The old system of stable jobs was maintained by the concentration of workers in industrial areas, the strength of the trade unions, and the governments’ willingness to raise taxes to sustain broad welfare systems; and made possible by the high profitability of traditional services and industries. In the new, flexible system, workplaces are dispersed, the unions are weak, and conformity and security have given place, in public perception, to higher levels of ambition and risk, which are associated to important political changes:

The election of Ronald Reagan and the implementation of strong antiunion policies, including the replacement of striking air traffic controllers in 1981, set a tone for bargaining that put employers in the driver’s seat. Another expression of the change of political climate was the failure of legislation to approve any increase in the nominal minimum wage from 1981 through 1988, reducing the minimum wage by 30 percent, back to 1950 levels (p. 90).

³ The influence of Manuel Castells’s view of the new “network society” is explicit. (Castells 1996).

The economic boom that accompanied these changes in political climate, bringing unemployment to very low levels, made it impossible to reverse them to the old days of strong unions and benevolent states, even if, as a consequence of the new flexibility, income inequality increased, and the number of people without social protection, including health care and retirement benefits, reached unprecedented heights. According to the US National Center for Health Statistics, in 2000, 40 million Americans under 65 years of age did not have any kind of insurance coverage; among those between 18 and 24 years of age, the percentage was 30%; among blacks, it was 20%; among Hispanic and Latinos, 35%. On the long run, Carnoy believes that knowledge and individual competence will replace the unions and the State as the sources for security and stability. The creation of a knowledge-intensive economy will lead to changes in the families, where men, women and children will be constantly studying and organizing their lives in terms of their learning and working opportunities. Community life will also change. There may a trend from the old neighborhood communities, based on long-term residence and personal acquaintances, in favor of new communities, based on shared knowledge, professional affiliation and other kind of affinities, related to specific values, interests, or ethnic and religious dimensions.

Globalization and the destruction of jobs

Martin Carnoy was well aware of the “low road” of flexibility, but, perhaps because of the moment and place where his book was written, he seemed to assume that, on the long run, the higher road would prevail, and this is the main subject of his attention. Writing a few years later, Jeremy Rifkin has a more pessimistic view (Rifkin 1995). For him, there is no doubt that advanced technology destroys jobs, and that computer-based technologies replace human minds by machines. He does not believe that advanced technologies have a trickle down effect, creating new job opportunities as the old ones are destroyed. Farmers are disappearing everywhere, the blue-collar worker is an endangered species, and work in services is being replaced by automation. Since the beginnings of mass production, there has been a deliberate effort, in the United States and in other advanced economies, to stimulate people to consume, by converting public

opinion from thrift to spending, through the creation of new products and artificial needs – Coca Cola, deodorants, breakfast cereals. Consumption, however, cannot expand if there are no jobs being created. The reason why employment did not sink further was because of the continuous expansion of the military and the public sector. These is a limit, however, on the ability of the public sector to continue to expand, and the trend in most countries is to stop or even to shrink the public sector, as a way to make the economy more competitive and lucrative. The consequence, argues Rifkin, is the increase in the number of those permanently without jobs, and this is affecting in particular the black population in the United States, which, for historical reasons, did not have the same chances to join the organized labor market and or obtain public jobs as the whites.

To compensate for the declining world of private jobs and public employment, Rifkin proposes a new utopia of a growing “third sector”, providing people with a meaningful life, maintained by taxes coming from the highly profitable and selective private companies:

The opportunity now exists to create millions of new jobs in the Third Sector – the civil society. Freeing up the labor and talent of men and women no longer needed in market and government sectors to create social capital in neighborhoods and communities will cost money. Taxing a percentage of the wealth generated by the new Information Age economy and redirecting it into the neighborhoods and communities of the country, and towards the creation of jobs and the rebuilding of the social commons, creates a new agenda and a powerful vision of what life could be like in the twenty-first century (p. 294).

His conclusion, therefore, is not very different from Carnoy’s. With or without enough jobs, both conclude that there is no way back to the old economic and political order. New social institutions will have to be created, giving new meaning and a sense of belongingness to people. If these institutions come to exist, they can make sure that the “high road” prevails over the “low road” of flexibility, or they can provide a replacement for the state in the provision of large-scale, non profitable employment.

Technological, market, social and political determinisms

The questions of technological and market determinisms underlie most of the conflicting analyses and interpretations on the changing conditions of the labor markets. How much of the “social relations” are determined by technology and the logic of market competition, and how far can they be established through the active involvement and organization of people, leading to appropriate policy decisions? Hobsbawm believed that the early Luddites were successful in a small scale, getting concessions and preserving their standards of life in some places, without, however, “holding up the triumph of industrial capitalism”. In spite of Hobsbawm’s effort to rescue the importance of human agency in the organization of society, the main tradition in the Marxist social sciences, to which Hobsbawm belongs, is that of technological determinism. The Marxist perspective was spelled out most forcefully, in the 1970s, by Harry Braverman, who argued that modern capitalism, like its predecessors in the early nineteenth century, was using automation to degrade the skills not only of industrial workers, but also of those in services and clerical jobs, a deskilling process similar to the one Marx described as produced by the early industries upon the traditional crafts and professions (Braverman 1975). The “scientific management” movement in the early 20th century in the United States, recommended the substitution of all tacit skills of the workers – the kind of skills and competence they acquire through their professional lives, which is not spelled out in books or manuals - by well-defined, measured and simplified tasks under the control of the managers. This would require not only the surrendering of all competencies and skills from the workers to the management, but also the closing down of trade unions and the end to all forms of collective bargaining and salary negotiations. The association between “scientific management” and the increasingly complex technologies utilized in industry is undeniable; but it was also part of a peculiar managerial ideology being developed in the United States in those years (Bendix 2000).

This issue is the subject of a detailed analysis by sociologist William Form, whose main purpose is to show how, in practice, “skill” can mean very different things, and the issue of “deskilling” cannot be treated outside the consideration of other social, political and institutional variables, He concludes his paper by saying that

Because skills are embedded in a network of socially organized occupations, skill change should be studied as a result of on-going bargaining among occupations. Even in highly stratified work organizations, occupations struggle to divide skill, authority, earnings, work control, status, and privileges. It is naïve to assume that all occupations place high priority on preserving or increasing skills, Trade-offs among value goods always occur (Form 1987).

This point had been made very forcefully, some years earlier, by David Joravsky, in a review of two books dealing with the invention of the telegraph, and, more generally, with the spread of modern technology:

It is misleading to see the problem of technology, as it so often is presented, as a choice between determinism and free will: either the technological system determines the way we must arrange our lives, or we decide how our machines are to be used. An abstract hammer is usually brandished to make the case for free will: it can be used either for constructive or for murderous purpose; therefore, choose life. In the real world ingenious inventors have created hundreds of different hammers and the significance of those instruments is to be found in the differences, not in the mechanical similarity they share with a mace or a blackjack. Likewise for whole systems of technology; they reveal the societies that invent and use them, not just the inventors' grasp of mechanical principles but also their notions of social status and distributive justice, even their metaphysical beliefs about the self that must be expressed or altered or repressed in the work process (Joravsky 1989).

In the 1970s, the emergence of Japan as a world industrial power, with very high standards of quality assurance and productivity, led some authors to talk about a “second industrial divide”, characterized by the end of the Fordist tradition of “scientific management”, and its replacement by a rebirth of the importance of the tacit knowledge and competence that was typical of the old professional crafts. This would put countries like Germany, who kept their traditions of professional education in place, in a very favorable condition, and would be very detrimental to the United States, which did not (Piore and Sabel 1984). The most visible phenomenon of recent years, which goes against the predictions of “the end of work”, is the transfer of labor-intensive industries and services from developed to less developed countries, or from richer to poorer regions within the same country. In Mexico, we have the “maquiladoras”, US companies that ship semi-finished products across the border to make use of the cheap and unprotected

labor on the Mexican side; in Brazil, there are many cases of industries relocating from the richer states in the Southeast to the poorer Northeast, in search for cheap and non-unionized labor, and not bothered by their lack of skills; and, China, more recently, became the main industrial basis for the production of all kinds of consumer goods for large multinational corporations, from computers to shoes (Kopinak 1996; Tendler 2002; Grossman and Helpman 2002).

These developments are sometimes interpreted as meaning that, instead of the gradual disappearance of working opportunities, what we are witnessing is the transfer of employment from the developed to some developing regions. It is also possible to interpret these trends as examples of the ability of modern technologies to adapt to different social and political environments, making use of more labor when convenient, or moving into complex, labor dispensing technologies when necessary. This confirms the idea that it is not technology alone that shapes the way the productive system is organized. Culture, traditions and the bargaining power of businessmen, trade unions and political institutions also matter.

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Poverty, Social Exclusion and Modernity

Simon Schwartzman

7. The knowledge society

The modern faith in education and science

One of the central assumptions of modernity is that people need to be educated, in order to participate and to benefit and contribute to the advantages of efficiency, rationality and democracy. This is the purpose of the “World Declaration on Education for All”, established by the World Conference of Education for All in Jomtien, Thailand, in 1990.

Article 1 of the Jomtien Declaration on Education for All

1. Every person - child, youth and adult - shall be able to benefit from educational opportunities designed to meet their basic learning needs. These needs comprise both essential learning tools (such as literacy, oral expression, numeracy, and problem solving) and the basic learning content (such as knowledge, skills, values, and attitudes) required by human beings to be able to survive, to develop their full capacities, to live and work in dignity, to participate fully in development, to improve the quality of their lives, to make informed decisions, and to continue learning. The scope of basic learning needs and how they should be met varies with individual countries and cultures, and inevitably, changes with the passage of time.
2. The satisfaction of these needs empowers individuals in any society and confers upon them a responsibility to respect and build upon their collective cultural, linguistic and spiritual heritage, to promote the education of others, to further the cause of social justice, to achieve environmental protection, to be tolerant towards social, political and religious systems which differ from their own, ensuring that commonly accepted humanistic values and human rights are upheld, and to work for international peace and solidarity in an interdependent world.
3. Another and no less fundamental aim of educational development is the transmission and enrichment of common cultural and moral values. It is in these values that the individual and society find their identity and worth.
4. Basic education is more than an end in itself. It is the foundation for lifelong learning and human development on which countries may build, systematically, further levels and types of education and training (UNESCO 1990)

Domingo Faustino Sarmiento, a nineteenth century Argentine intellectual and political leader, educated in the French traditions of Condorcet and the Encyclopedists, expressed the same ideals:

Sarmiento's great concern, his greatest passion in life, was to educate the people, all the inhabitants of Argentina, raise their spiritual and economic levels and thus secure the development of a free and sovereign nation. Mass education was the heart and soul of his work and was the title of his most widely read, and probably his favourite, book, *De la educación popular*. His assessment of the situation in the most progressive countries visited led him to write that 'there is in the Christian world, albeit in scattered corners, a comprehensive system of mass education which starts in the cradle, gets under way in the nursery, continues at primary school and is rounded off by reading, which encompasses all human existence'. This programme of renewal could be implemented through primary education, which Sarmiento also called 'general education'. In a profoundly revolutionary manner, he advocated education open to all without discrimination as to race, sex, economic status, social rank, political views or religious beliefs. He was a pioneer in the struggle for non-sectarian education, or education free of all religious dogma or segregation on similar grounds. Sarmiento devoted his life to the development of this form of education. He wrote memorable pages to give wider currency to this idea. In 1856, he submitted to the University Council of Chile a report on general education. A century later, it would make worthwhile reading for all who are unaware of the influence of public education on industry and on the general growth of national prosperity. With equal dedication, he launched the *Anales de la educación común* [Chronicle of Communal Education] in Buenos Aires, in 1858, a periodical to promote an educational philosophy based substantially on the French 'mixed-ability teaching' movement, achieving positive results which outstripped the latter (Bravo 1984)

Émile Durkheim, one of the founders of modern sociology, writing at the beginning of the twentieth century, seemed to reject these general statements about the goodness of education. It is impossible, he argued, to establish what should be the ideal education, valid for all places and societies. Each society would develop the education system that was more functional to it, according to its level of development. However, for modern societies, his thinking was not different from that of Sarmiento. In these societies, education played two crucial roles. The first was to consolidate and transmit the social

values that kept society integrated; the other was to provide the people with the knowledge and skills they need to live their social roles. In modern societies, because of the division of labor, skills were highly dispersed and specialized; they were united, however, by a common basis, which was the adoption of the scientific method and the sharing of scientific values, which were a central element of the Western cultural tradition:

Au cours de notre histoire, il s'est constitué tout un ensemble d'idées sur la nature humaine, sur l'importance respective de nos différentes facultés, sur le droit et sur le devoir, sur la société, sur l'individu, sur le progrès, sur la science, sur l'art, etc., qui sont à la base même de notre esprit national ; toute éducation, celle du riche comme celle du pauvre, celle qui conduit aux carrières libérales comme celle qui prépare aux fonctions industrielles, a pour objet de les fixer dans les consciences (Durkheim 1922).

In the past, this kind of “national spirit” was maintained by the teaching of religious principles and traditions. In modern societies, science should take precedence:

Ce moment arriva quand la vie sociale, sous toutes ses formes, fut devenue trop complexe pour pouvoir fonctionner autrement que grâce au concours de la pensée réfléchie, c'est-à-dire de la pensée éclairée par la science. Alors la culture scientifique devint indispensable, et c'est pourquoi la société la réclame de ses membres et la leur impose comme un devoir (p. 11).

This belief in the importance of science-based education, both for the maintenance of democratic institutions and for economic development, has not changed much since Sarmiento and Durkheim's times. Writing in the early 50s, the political scientist Seymour Martin Lipset found a clear correlation between the educational levels of the population and democracy. When people are educated, he argued, they understand and share the values of democracy; when they are not, they become alienated, and victims of authoritarian ideologies (Lipset 1960). More recently, economists started to establish empirical associations between education (and, more generally, human capital) and economic growth, as well as theories to explain the links they found (for instance Becker 1964; Schultz 1970; Mincer 1974). Basically, they concluded that investment in education and technological competence was a rational decision both for individuals and for governments, because they yield significant private and social returns. More

recently still, quantitative studies on poverty in Latin America have shown that inequality in education is the major correlate of income inequality and poverty, and significant investments in public education are recommended as a central element in any kind of anti-poverty initiative or program (see, for Brazil, Ferreira and Leite 2001; Ferreira 2001; Reis and Barros 1991). The World Bank, in recent years, has also put out studies and policy papers on education and scientific development, identified as the key condition for economic development, in an approach that would be strongly endorsed by Sarmiento and Durkheim:

The ability of a society to produce, select, adapt, commercialize, and use knowledge is critical for sustained economic growth and improved living standards. Knowledge has become the most important factor in economic development. The OECD concluded a recent study on the determinants of growth that ‘long-term growth rates in OECD economies depend on maintaining and expanding the knowledge base.’ The 1998/99 World Development Report (WDR) concurred in stating that ... today’s most technologically advanced economies are truly knowledge-based...’creating millions of knowledge-related jobs in an array of disciplines that have emerged overnight’. The real growth of value added in knowledge-based industries has consistently outraced overall growth rates in many OECD member countries in the past two decades. The figures for the 1986-1994 period were 3.0 percent for knowledge industries versus 2.3 percent for the business sector as a whole. Between 1985 and 1997, the share of knowledge-based industries in total value added has risen from 51 to 59 percent in Germany, 45 to 51 percent in the UK, and 34 to 42 percent in Finland (OECD, 2001) (World Bank 2002).

The other side of education

The modernist belief in the goodness of science, technology and formal education has been challenged by a long tradition of conservative thinkers, and, more recently, by the proponents of post-modernism and multiculturalism. For the conservatives, education should not deal primarily with science and the development of skills, but with the strengthening of moral, religious and ethical values; and it should be the realm of the family and the Church, not the State, as proclaimed by Sarmiento and Durkheim. Schools, argued Ivan Illich, a former priest, from his experience with the poor in Mexico

in the 1960s, in a book called *Deschooling Society*, are not the solution, but one of the main causes of the problems of modern societies:

Many students, especially those who are poor, intuitively know what the schools do for them. They school them to confuse process and substance. Once these become blurred, a new logic is assumed: the more treatment there is, the better are the results; or, escalation leads to success. The pupil is thereby "schooled" to confuse teaching with learning, grade advancement with education, a diploma with competence, and fluency with the ability to say something new. His imagination is "schooled" to accept service in place of value. Medical treatment is mistaken for health care, social work for the improvement of community life, police protection for safety, military poise for national security, the rat race for productive work. Health, learning, dignity, independence, and creative endeavor are defined as little more than the performance of the institutions which claim to serve these ends, and their improvement is made to depend on allocating more resources to the management of hospitals, schools, and other agencies in question (Illich 1971).

Instead of these institutions and bureaucracies, Illich longed for a return to the community, the family, the peer group, and a direct contact of the student with the things of nature, in a free and spontaneous learning environment, making the best possible use of the technologies of the time, like the TV and the videotape. His criticisms are intriguing, and his proposals to replace the traditional schools by a radically different kind of social arrangement are very suggestive. Illich was not an isolated voice. In Brazil, at that time, Paulo Freire preached popular education, as part of a much broader process of political mobilization against the political and economic establishment (Freire 1987). These were also the years of Michel Foucault, with his devastating criticism of the "caring" institutions (Foucault 1972, 1973, 1973, 1973), preceded by Herbert Marcuse's *Eros and Civilization*, proclaiming the need to free society from the repression of sensuality and the instincts, created by Western civilization (Marcuse 1955).

In the succeeding years, these ideas did not become dominant, but remained as part of the critical thinking that have always accompanied modernization. One reason why they did not prosper in the area of education is that there is no way to provide large-scale education – or, for that matter, large-scale health care – without the support of well

established institutions and professional communities. Among the rich and already well educated, it is conceivable that some families and communities would decide to reject the established education institutions for their children, and look for a more congenial arrangement. For the poor, the alternative to well-organized and properly staffed schools is ignorance, illiteracy and social alienation.

Sociologists tend to raise two central issues regarding the expansion of institutionalized education. The first is that education is not just about providing people with skills and competencies, developing human capital, but is also about selecting and filtering people for positions of power, prestige, income and influence. If the number of available places is limited, and education is the criteria for selecting persons for them, the standards required for selection will raise through competition, regardless of the technical and professional skills required for these activities. In this situation, education becomes a “positional good”, whose value depend on your relative position compared with that of other people, rather than on the absolute quality of your qualifications.¹ The consequence is a trend for higher and higher levels of formal qualification, without any significant collective benefit. The second and related issue is “credentialism”, a situation in which the access to valued professional positions depend on the possession of formal qualifications and diplomas, rather than on specific competencies and skills. In such a situation, there is a tendency to replace content with form, and achievement with the performance of bureaucratic rituals (Collins 1979, 2000). In this game, students coming from well-educated, socially prestigious and rich families – with what Pierre Bourdieu has called “cultural capital” (Bourdieu and Passeron 1990) - have distinctive advantages over the less endowed, establishing a cycle of self-perpetuation of social stratification and discrimination.

There are two conditions that would limit or nullify these negative tendencies of institutionalized education. The first is if the expansion of education, by increasing the competence of people, could lead to the creation of new jobs and working opportunities;

¹ This is discussed, for instance, in (Jonathan 1997). See also (Boudon 1982).

or conversely, if the expansion of education – the supply of competent work – were regulated by the expansion of working opportunities. In both cases, demand and supply of skills and competencies would be in equilibrium. This equilibrium, however, is seldom achieved. Technological determinists tend to assume that it is the economy that drives education, but the historical evidence and empirical studies show that this is not necessarily so. Thus, Prussia and the German states were the first to develop general public education, long before the political unification and the economic expansion of Germany in the years of Bismarck. Japan and Korea are also examples of countries that moved forcefully in the expansion of education and the establishment or learning institutions before their economies were able to bring these competencies to use. In the socialist societies of Europe and Cuba, education expanded and people were assigned to jobs according to administrative rules. As the economy opened, however, unemployment rose, and the inadequacies of their traditional education institutions became evident (Berryman and World Bank. 2000). In Latin America today, education is expanding at all levels, limited only by the ability of governments and the private sector to pay for it, but there are many indications that this expansion is not being accompanied by a corresponding increase in the population skills, and is not leading to the modernization of the economy and the creation of new jobs, except in the education system itself.²

The second condition that would limit credentialism would be the predominance of market over institutional or bureaucratic criteria in the job and professional markets. In principle, private firms can look for the best possible persons for their jobs, irrespective of the formal credentials they may or may not hold. Another way of saying this is assuming that, if a firm is willing to pay a price for a person with a specific education credential, it is because it believes that this person will bring benefits which are commensurate with his or her costs. In both cases, credentials as such would be irrelevant.

² See, for the quality of education selected Latin American countries, as compared with the OECD, (OECD 2001, 2003)

An open market for skills and competence is better than a society stifled by professional monopolies and credentialism. In practice, most countries develop a combination of these two elements, which has the virtue to preserve the academic and professional institutions from predatory mercantilism, and to place limits to their monopoly power. This issue is not the same, but is associated with the question of the “marketization” or “privatization” of education, which has been in evidence in recent years, particularly in Europe and Latin America. Many governments, in rich and poor countries, have been trying to switch part of the costs of education to the students and their families, either by charging tuition in public institutions, or the authorization for the establishment of private, profit-making, proprietary education institutions. One of the arguments against this trend is that it places too much emphasis on marketable skills, rather than on the cultural and scientific components of a good education. More important, perhaps, is the fact that the development of education in Western societies has been always associated with the creation and strengthening of professional communities that controlled the procedures for admission, assessment and accreditation of students, and regulated the job market for academically trained professionals. In the best cases, self-regulation in the professions worked both to preserve the status and social prestige of the credential-holders, and to create strong and competent professional communities in law, medicine, public administration, education and scientific research, to the benefit of all. Self-regulation can lead also, however, to the protection of unjustified privileges and professional monopolies, which are threatened by the entrance of private and independent agents.

If one looks at the situation of education in most Latin American countries in recent years, we find a continuous trend toward the expansion of education systems and the lengthening of the study life, with the universalization of access to basic education and the expansion of preschool, secondary and higher education; but we see no clear indication that this trend is associated with the creation of a large number of high quality, knowledge intensive jobs. What we see is the continuous expansion of a large and

undifferentiated service sector, which grows in parallel with the expansion of the “business” careers in higher education – administration, business, accounting, law.³ In the same line, Judith Tendler carried a study on the attitudes of leading industrialists in the Brazilian Northeast, the country’s poorer and less educated region, and found that they felt comfortable working with less educated workers, and actually showed some fear that more education would make the workers less suitable for industrial work in the fields of textile and shoe production, among others (Tendler 2002).

We can summarize this discussion by saying that, first, general education, like health care and the freedom of speech, is an important conquest of modernization everywhere, which needs to be expanded and consolidated. Second, there is ample room for experimentation with private, community-based and other forms of alternative education, but no modern society dispense with the need for a well-established system of public education. Third, the links between education and the economy are not obvious or automatic, and neither private benefits nor state sponsorship and support translate always into public goods. This means that education should not keep on expanding at all costs without proper oversight, and that society should not bear all the cost of this expansion when the social benefits are not forthcoming (Wolf 2002). When asked businessmen interviewed by Judith Tendler, they would praise public education as something important and good, but as a general obligation for the government to implement, not as their direct concern and responsibility, a finding similar to Elisa Reis’ in her study on elite attitudes in Brazil in relation to poverty (Reis 1999).

A critical view of science and technology

Another assumption of the modernist creed is that education should be based on science, and that science should develop on its own, following men’s curiosity and intellectual drives in the pursuit of truth.

³ For the expansion of higher education and its links with the labor market in Latin America, (Schwartzman 2002)

There is a large literature showing the limitations of this approach. There is no uniform “science” or “scientific method” which can be made explicit and applied equally to the teaching of language, history, physics, law and biology, except in a trivial sense. What students learn in the best schools in Europe and the United States is usually what became known as the Western cannon, or, for its critics, the worldviews and prejudices of Old Dead White Men. The introduction of the perspectives of new generations, blacks, women, and other cultures, have shattered the belief in a uniform cannon, which was never based on a unified concept of “reason” and the scientific method in any case.⁴

The notion that each person should receive at least some rudiments of scientific education was strengthened by the fact that, until recently, the technologies used in the production of consumption goods in the advanced economies were not too distant from what a well-educated person could understand, and there was ample space for amateur scientists and technologists. Today, as technology becomes more complex and permeates the production of most consumption goods and industrial processes, it has also moved further and further away from common sense and understanding. In the past, it was not too difficult for a skilled person to open a manual, understand, and then dismantle and repair a car engine; it is not possible to do the same today, with systems commanded by servomechanisms, electronic circuits and microchips, and there is little or no link between the ability to use a modern electronic device and the understanding of modern physics and electronics.

The organization of scientific and technological work has also distanced itself from the traditional ways knowledge production and research used to be set up. To stress this point, the authors of *The New Production of Knowledge*, talk about two “modes” of scientific production. In the “mode I”, science is organized along academic disciplines, technology and science are separated, and the assessment and support for science is done internally, through peer review mechanisms, and the use of public resources. In “mode 2”, knowledge production is characterized by transdisciplinarity, heterogeneity,

⁴ (Scott 2000) See, for an earlier discussion, (Geertz 1983).

pragmatic choices and blurred boundaries among basic, applied, academic or commercial work (Gibbons et al. 1994).

In the real world, “mode 2” is not really new: science and technology have always interacted, and the motives and incentives for scientific work have seldom been as pure and altruistic as those described by Robert K. Merton long ago. But “mode 1” has been, and still is, a powerful image on how scientific work should be organized and carried on, particularly in universities and in public-supported research institutes with weak links with industries, the military or other types of applied research. One could say, with Bruno Latour, that “mode 1” corresponds very well to the “modern constitution”, which postulates the absolute separation between research and its practical consequences, and, therefore, the total freedom and irresponsibility of sciences for the outcomes of their work (Latour 1993). Mode 2 can mean a much more efficient way of knowledge production, but may be equally irresponsible and subject to bad faith and conflicts of interest, given its strong short-term market orientation (Krimsky 2003). At the same time, it can be more open to external assessments and scrutiny, and become therefore more reflexive and self-conscious.

Advanced economies are facing the problems of how to make scientific and technological research more responsible to society, without losing its energy and dynamics, and how to link it better with the universities, where the traditional modes of scientific work predominates. Developing countries, and even developed ones with less resources, have to decide how to participate in a world in which knowledge production and applications are so concentrated, expensive and difficult to grasp. Most countries still adhere to the idea that, by creating small research institutions and graduate programs in the traditional mode, they are moving in the right direction, and will be able, eventually, to catch up with the leading research countries. The fact, however, is that the gaps are growing, and these countries are being left with obsolete, but sometimes expensive and vocal traditional scientific communities, trying to justify their existence in terms of the old education and scientific ideals of modernism.

There is no easy way out of these predicaments. It makes no sense to reject modern science and technology in the same way that Illich rejected the schools; and it is impossible to submit research to detailed target and plans, since it is an activity that deals with innovation and discovery. However, it is necessary to concentrate resources in a few subject areas and institutions, instead of spreading them thinly throughout. Priority should be given to research sectors and groups that are able to participate in the international flows of scientific and technological knowledge, or where a country has special competencies and needs, both in the public and in the private sector⁵; public resources should be combined with private investments; and research institutions should be flexible, look for resources both from the country and abroad, and remain widely open to new ideas and opportunities.

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⁵ See, for Brazil, (Schwartzman 2002); for a broader view, (Schwartzman et al. 1995)

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Poverty, Social Exclusion and Modernity

Simon Schwartzman

8. Social policy, citizenship and human rights

Citizenship and human rights

What can be done to deal with the problems of poverty and destitution associated with the contemporary forms of capitalism and globalization? The answers, in very broad terms, do not seem different from what the classic authors have been saying all along. We have to follow Adam Smith's advice, creating the conditions that allow human initiative and creativity to flourish in open economic markets; and to follow the warnings of Karl Polanyi, building the institutions that allow the market activities to take place, while protecting the persons against modernization's propensity for self-destruction. Societies that fail to do both, not allowing the economy to flourish, and not protecting its people from the inroads of a global economy and its associated cultural and military institutions, like most countries in Southern Africa, face the problems of extreme poverty and destitution. Societies that do the first, but not the second, opening up for capitalism but not developing its institutions – we could place Brazil and Mexico in this group - face the serious problems of social inequity. Societies that do the second, but not the first, protecting their traditional cultures at the expense of economic development, may at best be stable for a while, in conditions of poverty and isolation. There are few or no examples of that today, but we can think of countries and regions that remained isolated from the world economy until recently, like Nepal or Ethiopia. Finally, societies that are able to do both are the ones presenting higher levels of economic development and social welfare.

One important difficulty with this proposition, however, is that institutions exist mostly within nations, but markets are international, and progressively more so. History is full of examples of national institutions being overwhelmed by the expansionist impetus of markets, but few examples of international institutions effective enough to curtail or channel that energy while protecting society from its negative effects.

After the Second World War, with the creation of the United Nations, there was an important effort to create such international institutions, and to define the set of basic rights they should protect and enhance. Some of these institutions, like the International Monetary Fund and the World Bank, were meant to deal with the need for a stable and predictable environment for international transactions; others, like UNESCO, the World Health Organization and the International Labor Office, had specific mandates to deal with the improvement of the human rights for education, health and adequate and humane working conditions.

There is a clear tension between two ways of thinking about social protection and human rights, one looking for the wisdom and experience of traditional institutions, the other trying to make use of rational and historical interpretations of human nature as a foundation of what the basic human rights should be like. Typically, those who adhere to the first view would tend to look at societies as a whole, rather than to isolated individuals, and would refrain from passing judgment on specific institutions and traditions like the Sharia law in Arab societies, that keep women under veils, or the practice of female circumcision in many regions in Africa, to take an extreme example. Anthropologists, concerned with the interpretation and internal coherence of cultures, may side with this view, aware, as they are of the devastating effects of the introduction of extraneous values and behavior in traditional societies. At the other extreme, the evolutionist view assumes that some cultural forms of knowledge, behavior and expression are better than others, and that it would be possible to define, in abstract, how society should be organized, so as to maximize the human rights and men's potentials. In the specific field of human rights, it is possible to trace the rational approach to a remarkable lineage of rational philosophers, from Emmanuel Kant to Amartya Sen and John Rawls¹.

Clifford Geertz, himself a leading anthropologist, saw the dilemma very clearly. The trouble with the universalistic view, he says,

¹ For an extended discussion, see the articles by John Rawls, Jürgen Habermas, Richard Rorty, Robert Dahl and others in (Savic and The Belgrade Circle 1999)

is that the image of a constant human nature independent of time, place and circumstance, of studies and professions, transient fashions and temporary opinions, may be an illusion, that what man is may be so entangled with where he is, who he is, and what believes that it is inseparable from them. It is precisely the consideration of such a possibility that led to the rise of the concept of culture and the decline of the uniformitarian view of man. Whatever else modern anthropology asserts – and it seems to have asserted almost everything at one or time another – it is firm in the conviction that men unmodified by the customs of particular places do not in fact exist, have never existed, and most important, could not in the very nature of the case exist (Geertz 1973).

On the other hand – and here Geertz refers to his classic study of the Balinese culture, and their experiences of trance – “what does one learn about human nature from this sort of thing and from the thousand similarly peculiar things anthropologists discover, investigate, and describe?” “That human nature does not exist and men are purely and simply what their culture makes them”? Geertz argues that anthropologists have been looking for a middle ground, to find “a more viable concept of man, one in which culture, the variability of culture, would be taken into account rather than written off as caprice and prejudice, and yet, at the same time, one in which the governing principle of the field, ‘the basic unit of mankind’, would not be turned into an empty phrase” (p. 36).

Looking from an entirely different perspective, Ludwig Wittgenstein also questioned the possibility of founding an ethics on abstract values, separated from the human practice of conviviality and concrete language interactions, the cage of human condition:

This running against the walls of our cage is perfectly, absolutely hopeless. Ethics so far as it springs from the desire to say something about the ultimate meaning of life, the absolute good, the absolute valuable, can be no science. What it says does not add to our knowledge in any sense. But it is a document of a tendency in the human mind which I personally cannot help respecting deeply and I would not for my life ridicule it (Wittgenstein 1929)

Difficult as it is, my own preference is to side with the tradition, adopted by Geertz and that Polanyi would probably approve, that tries to understand the moral issues in terms of their embeddedness in social historical and social contexts, without diminishing their importance as values on their own right. In public life, however, what we have seen is the confrontation between the extremes, described by some authors as an irreconcilable struggle between two civilizations, one rational, Western and humanist, the other irrational, non Western and authoritarian (Huntington 1997).

Citizenship and the modern nation states.

In the 1920s and 1930s, the raise of Fascism and Stalinism gave to the issues of human rights a new sense of urgency. In those years the Russian sociologist Georges Gurvitch, living in France, published a history of the notion of social rights, followed, in the mid forties, by a proposal for a Declaration of Human Rights (Gurvitch 1932, 1944) Hannah Arendt, in the meantime, worked on her classic book on the origins of totalitarianism, which remains a central reference today (Arendt 1951; Power 2004).

Another classic reference is the text by British sociologist T. H. Marshall on social class and citizenship, written in the 1940s, as an effort to develop a concept of rights which would not lose sight from its roots in the history of modern European societies, while aiming at the definition of principles and goals that should be considered universal (Marshall 1950). The notion of rights, for him, was closely associated with the notion of citizenship – a right was not something one has in abstract, but defined a relationship between the members of a nation-state – the citizens – and that nation state.

For Marshall, there are three types of rights, which have developed with the creation of the modern democratic, welfare-oriented states. The first are the civil rights, defined as “the rights necessary for individual freedom – liberty of the person, freedom of speech, thought and faith, the right to own property and conclude valid contracts, and the right to justice”.² These are legal rights, which can be implemented by a proper

² In this brief presentation of TH Marshall concepts, I am making use of the discussion about the implementation of social rights in the Scandinavian countries, developed by (Klaussen 1995)

legislation and a minimum set of institutions –courts and enforcement agencies. Secondly, there are political rights – “the right to participate in the exercise of political power”. This includes the rights to vote and to be elected, and their universalization in modern democracies is much more recent. In most countries, voting rights used to be limited by strict rules of gender, property ownership, education attainment, age, race and birthplace, and their extension to women, the illiterate, non-whites and foreign-born – a process known as “enfranchisement” - are recent achievements. Political rights require a different set of institutions: political parties, parliaments, and rules of the game assuring equality in voting rights. The examples of the United States, where a presidential candidate can have the majority of popular vote but lose in the electoral college; of Brazil, where a Congressman or a senator from a small state can be elected with a fraction of the votes needed to elect another Congressman in the State of São Paulo; and of England, where the “first-past-the-post” system was devised to assure the dominance of small towns over the population concentrated in large urban centers, are examples of the existing limitations of political rights in modern democracies.

Social rights were defined by Marshall as “the right to share to the full in the social heritage and to live the life of a civilized being according to the standards prevailing in the society.” This meant, in the European context, the right to education, welfare protection and to a minimum, “decent” income. The institutions required to implement these rights are the systems of public education and social service. Civil and political rights are “passive”, in the sense that they depend mostly on the legal rules of the game of democratic conviviality, and do not require too many resources to be implemented. Social rights, however, are “active”: they require large institutions endowed with significant resources, and the active distribution of benefits to the population – education, retirement benefits, health care, minimum wages. To pay for this, governments had to raise taxes, to constrain the private companies to provide specific benefits to their employers, or both.

Human rights

For Marshall, individual rights are inseparable from citizenship, which assumes that people belong to a community – usually a nation – in relation to which they have

entitlements and responsibilities. More recently, however, human rights (an expression that encompasses the three types of rights described by Marshall) became an international concern, pushed by multilateral and non-governmental organizations, with wide coverage and support in the mass media. The first important document in this line was the Universal Declaration of Human Rights, approved by the United Nations in 1948 together with the Genocide Convention, after extensive negotiations led, in large part, by Eleanor Roosevelt, which covers the full range of civil, political and social rights. Several regional and human rights conventions and treaties followed, and, today, each branch of the United Nations system has its own specific rights agenda or declaration, like, for instance, the International Labor Office declaration on the rights at work of 1998, and the “Education for All” Jomtien Declaration of 1990. They include the International Covenant of Economic, Social and Cultural Rights; the Convention on the Elimination of All Forms of Racial Discrimination; the Convention for the Elimination of All Forms of Discrimination Against Women; the Torture Convention; the Convention of the Rights of the Child; International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families.

How important, and how effective are the human rights approach to deal with the contemporary problems of poverty and deprivation, that accompany the market economy and globalization? They are very important from a moral point of view, by defining what is and is not acceptable, and establishing standards which governments, private firms and other institutions are required to adopt; and their recognition empower those suffering from deprivation and social discrimination to get mobilized to assert their rights. To be effective, however, these standards have to be enforced by national and international public opinion, international organizations, social movements and legal institutions, but, above all, by nation states, which tend to establish priorities in terms of their own definition of “national interests”, or, in modern democracies, but the demands of their voting populations. In the name of national interests, Western democracies have supported all kinds of authoritarian political regimes, or turned against them on the name of human rights when convenient; and the protection of narrow interests of powerful national groups have placed limits on the ability and willingness of national governments to protect human rights of distant foreigners. “The Rights of Man, Arendt wrote, had

been defined as ‘inalienable’ because they were supposed to be independent of all governments; but it turned out that the moment human beings lacked their own government and had to fall back upon their minimum [international human] rights, no authority was left to protect them and no institution was willing to guarantee them (Power 2004).

Human rights and democratic politics

The introduction of human rights in the internal agenda of countries can also create difficulties, when it is associated with attempts to replace “conventional” politics with ideological mobilization, and bureaucratic, administrative policy implementation with voluntary action.

Miguel Carter, after a detailed history of the beginnings of the Landless Movement in Brazil, presents a summary of what he calls an “ideal interest action”, based on moral and religious principles, in contrast with a “material interest action”, based on rational calculations of relative gains and benefits. It is a very good example of a political movement based on a human rights agenda, the right of peasants to own the land in which they work. Carter describes the movement as an ”ideal interest action,” or mobilization, having the following qualities:

- (1) Value oriented behavior, rather than successful-driven ones; (2) a behavioral mode based on a fusion of striving and attaining, instead of optimizing; (3) strong feelings propelling and resulting from social action; (4) collective interaction powerfully altering individual calculus; (5) dense symbolic repertoires that stir courage and vitality; (6) partnership grounded on elective affinities, as oppose to strategic and instrumental alliances; and (7) the observed presence of people acting as they cannot be bought (Carter 2003).

We could rephrase this description in terms of Weber’s classic contrast between charismatic leadership, based on the exceptional qualities of the leaders, and rational leadership, based on the leader’s ability to get the highest possible benefits for his followers. Political mobilization based on charisma and absolute values can be extremely powerful. The Landless Movement in Brazil, like the Chiapas Zapatistas in Mexico, has been very successful in getting international support for their cause and extracting some

benefits for its members, even if not commensurate with their initial, revolutionary ambitions. More important than the movement was the impressive electoral victory of Luis Inácio da Silva for the Brazilian presidency in 2002, in a campaign also based on the assertion of absolute, ideal goals of social justice, against the pragmatic, “material interest” orientations of the previous government.

In real life, of course, the “ideal type” of ideal interest action described by Carter is just that, an ideal type, and motives and actions are always much more mixed than the way they are presented. For instance, Carter takes at face value the statements of priests that they supported the Landless Movement because of their “preferential option for the poor”, but we could easily interpret this as an effort of some segments of the Church to regain the confidence of the poor population, which is being lost to fundamentalist sects, and as part of a much broader power struggle within the Catholic Church, without questioning their commitment with the poor. Peasants joining the Landless Movement do so because of their expectation of receiving land and subsidies from the government, and their political leaders have all the direct and indirect benefits – and occasional hazards - of national and international exposure. The new government in Brazil, once in power, had to face the practical need to organize the economy and to negotiate with politicians to get enough votes in Congress for their proposed legislation, a kind of “material orientation” that shocked significant sectors of its constituency.

This does not mean that the distinction proposed by Carter does not exist in real life, or is irrelevant for politics and policy making. By placing themselves in a higher moral ground, human rights movements can get support for groups and sectors that would be the weakest part in traditional politics, and get results and concessions that otherwise would not be forthcoming. Several authors have tried to analyze these social movements as just another rational strategy for resource accumulation, not different, in essence, than other modalities of political action (Jenkins 2002). Michael Ignatieff describes the use of the human rights argument in political life as similar to the use of a trump card in a game, which, when put on the table, wins against all others. (Ignatieff and Gutmann 2001) The difficulty with this is that, in practice, human rights are subject to controversies, different interpretations, different priorities, and have to be negotiated – a situation which

contradicts the notion that they are absolute values, and, as such, non-negotiable. Two negative consequences can follow from that. The first is the escalation of conflict and confrontation, were there would be room for negotiation, compromise and the use of established legal procedures for conflict resolution. Thus, as in these examples of Chiapas and the Landless movements, conflicts of interest are routinely carried on as dramatic fights between Good and Evil, with the constant threat of imminent tragedy and bloodshed, attracting therefore the attention of the mass media and international public opinion, and the denial of legitimacy to the established legal institutions. The second is that negotiations and compromise take place in any case, but under the cover, as something forbidden, and therefore more subject to unprincipled deals and accommodations than if they were done on the open, according to clear rules and procedures.

Human rights and public policy

When public bureaucracies are inefficient and corrupt, and the political process is subject to the influence of big money and the manipulation of public opinion through the mass media, there is a strong temptation to replace the working of established institutions with voluntary action. There are many examples of this, like the efforts to provide education through campaigns, rather than through regular schools, or to replace the usual procedures for budget allocation by some kind of participatory budgeting process.

One difficulty with this approach is that human rights actions are, by definition, voluntary, while the action of established institutions are, again by definition, mandatory and universal. Social policies based on the ability of specific groups to mobilize for their interests and motivations are in great risk to leave aside the interests and needs of those less able to get organized. The other potential risk is that, by turning away the attention and energy of society away from the established institutions, human rights activism can contribute, unwittingly, to weaken these and make them less able to fulfill their roles than if they were under the pressure and oversight of social movements and public opinion. As Albert Hirschman wrote years ago, they would not be subject to “voice”, but will still be protected from “exit”, because of the public nature, and this is the best possible recipe for institutional decay(Hirschman 1981)

In Brazil, in recent years, several municipalities have introduced systems of “participatory budgeting”, in which the destination of public resources is supposed to be decided in town meetings with the participation of members of the local community. The assumption is that this procedure is more democratic than the traditional one, in which the budgets are prepared by the mayor and submitted to the elected municipal chamber for approval. In fact, because of the way the electoral system works, the links of accountability between the population and their elected representatives are often weak or non-existent. The problem with town hall democracy, however, is that not all groups are equally represented in these meetings, and decisions tend to favor those more able to get organized and to press for their interests, rather than those in more need, but less able to participate. In practice, most of the municipal expenses are never subject to this kind of decision, since they are tied up with salaries and permanent services, and the attention given to town hall meeting may divert the public eye from the process by which most of the resources are actually allocated (Fedozzi 1997).

Is the human rights, “ideal interest” orientation, more appropriate for policy implementation than the rational, “material interest” approach preferred by economists? Varun Guari discusses this question, regarding the implementation of education and health policies in developing countries, and strikes a conciliatory note:

With regard to practical policy consequences, rights advocates and economists are not far apart in their approaches to health care and education. Claiming that there are rights to education and health care is consistent with the belief that the rights cannot be realized at once, that social rights are goals and not constraints, that the financing and provision of services can be public or private, and that defending social rights requires local institutions, information, organization, and advocacy. A modern economic approach to health care and education in developing countries also emphasizes the need to strengthen accountability, sectoral governance, transparency, and access to information. Both approaches would recommend greater parental participation in school management, more patient input in health care decision-making, more effective local and civic organizations for monitoring service delivery performance, more transparency in and clearer rules for budget allocations, and a simplification of management and governance in the health and education sectors. In both approaches, the goal is to strengthen the position of service recipients (Gauri 2003).

One important consequence of the human rights approach to policy-making is the emphasis on general rights and their enforcement through court procedures, rather than the reliance on the technical work of the public administration. Brazil is a good example. The 1988 Constitution, written after 20 years of military autocracy, has a very detailed list of individual rights and the obligations of authorities to fulfill them, without any consideration for priorities or the means necessary for that. As an extreme example, Paragraph 3rd of Article 192 established that real interest rates could never be higher than 12% a year, with severe criminal punishment for those who did not obey. In practice, this provision was never implemented, under the assumption that it had to be regulated by ordinary legislation, which the government never proposed. There was also a tacit agreement not to challenge the infringement of this constitutional clause in court.

The power of the judiciary to interfere against the administration on behalf of perceived rights, however, cannot be minimized. The best example, in Brazil, has been a series of decisions changing the ways the government converted salaries and adjusted for inflation during inflation control plans creating huge public deficits in favor of specific sectors. To these broad decisions of the high courts one should add the myriad decisions and injunctions established by local judges in favor of individual and group claimants, decisions which, in the Brazilian tradition, are not bound by the precedents established by the higher courts (Sadek 2001). Surveys have shown that, in Brazil, judges tend to think that general principles of human rights should prevail over the cold letter of the law. This view provides moral support for resistance against attempts to make the rulings of the higher courts mandatory. Thus, for instance, a judge can decide against confiscating the properties of poor persons in order to pay their debt with a bank. The consequence of this kind of humanitarian decision, however, is that banks become insecure, increase their interest rates, and refuse to provide small loans to persons with limited resources. The autonomy of local judges has led also to the development of an industry of judicial appeals by special groups (for instance, firms challenging the constitutionality of specific taxes), which flood the tribunals with thousands of demands, making the whole legal system heavy and inefficient, reducing the ability of governments to function, and increasing the costs of private transactions (Pinheiro and Cabral 1999)

Conclusion

There are many other examples of policies based on human rights considerations that may produce questionable results: the forced extension of school years at the expense of education quality; free and unlimited medical care for everybody, overburdening the health care systems and reducing their quality; high minimum wages and generous work protection benefits, leading to unemployment and stimulating informal and illegal work; free higher education, channeling public resources to high and middle income groups.

This does not mean that the world would be better if the human rights agendas did not exist, and did not influence the way political life and policy making take place. The human rights perspective helps to set priorities, to establish goals, and to define standards against which public policies can be evaluated. The difficulties that exist can be better understood in terms of the classic analysis of Max Weber about charismatic domination and the institutionalization of charisma, which is parallel to the classic distinction between the ethics of absolute goals and the ethics of responsibility. Human rights politics and policymaking are charismatic actions, geared by ultimate goals and values, which do not pay attention and to not care much about formal procedures and administrative rituals. This is their strength, and also their weakness: they tend to destroy the institutions, and are incompatible with professional specialization and long-term stability. They tend also to make the collective will, as expressed by vocal and charismatic leaders, to prevail over individual action and choice.

Modern democracies, to exist and implement policies based on human rights principles, require well-designed democratic institutions, space for professional administration, stable legal norms, and individual freedom. Public actions cannot be judged solely by the intention of leaders and the presumed rights of individuals and groups, but should also be evaluated by their abidance to formal procedures and by their practical results for society as a whole. When human rights move from the realm of values and goals to the realm of political action and policy implementation, without the due consideration for democratic procedures and institutions, all these mechanisms can come under threat. When the commitment to human rights and the mobilization for their

implementation leads to the strengthening of public institutions, however, their contribution can be invaluable.

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Poverty, Social Exclusion and Modernity

Simon Schwartzman

9. The reform agendas

Even if we granted that globalization and the growing use of advanced technology could solve, on the long run, the problems of poverty and social exclusion, on the long run, as Lord Keynes has famously said, we will all be dead. It is not possible just to seat and wait for the benefits of economic growth to trickle down to those that are being left aside. The human rights agenda provides important references and benchmarks for what needs to be achieved, but it does not translate easily into actions and results. Beyond that, it is necessary to implement policies that can help the economy to grow, to help people to benefit from this growth, and to deal directly with needs that are not related directly to the workings of the economy.

“Social reform” entered the political vocabulary of the 20th century with the creation of the International Socialist organization after the First World War, in opposition to the International Communist organization proposed by Lenin and the Russian Bolsheviks. The communists were revolutionary and internationalists; the socialists, reformists and nationalists to some extent. The First International was organized by Marx around the tenets of the Communist Manifesto, and proposed a revolutionary agenda above and beyond the boundaries of the nation states. The Second International, meeting for the first time in 1889, reinstated the same idea, pressing for organized resistance of workers against the threats of War and the expansion of colonialism. The International would not survive the First World War, when the socialist parties in all countries supported their respective governments in the conflict. With the Russian revolution, two International organizations were created, one Communist, led by

the Soviet Communists and bringing together the Communist parties in Europe and other parts of the world, and another social-democratic, led by the main European socialist, social democratic and labor parties in Germany, England and France (Lowenthal 1997).

In the European tradition, the word “reform” became associated with the creation of the welfare state, pushed by political parties with strong associations with the labor unions. In many occasions, particularly after the Second World War, the social democratic and labor parties won elections and became responsible not only for defending the interests of the workers, but to implement policies of all kinds, to foster economic growth and to participate in the new international networks and arenas, military and economic, being created in those years. As the economies grew, the relative weight of the working class was reduced, and the old social democratic parties became more similar to their “bourgeois” counterparts, disputing the preference of voters in periodical elections with very broad platforms, while the implementation of social policies and economic reforms fell in the hands of growing public bureaucracies.

Setting up the reform agendas

There are political parties affiliated with the International Socialist organization in most countries today, but they are usually very different from their European counterparts, not always very significant in their own countries, and their international affiliations are just symbolic, if at all. The reform agendas that have been proposed recently do not come so much from such parties, but from a combination of intellectuals, professionals, bureaucrats, international institutions and members of new, activist social movements, some national, some international, which get organized around specific issues and work to mobilize support through the mobilization of public opinion.

Different countries have developed different reform agendas, and for each of them there are myriad of proposals, suggestions and experiences. However, there is a clear core of issues that are shared by all. Economic growth and employment have been central concerns. It is necessary to deal with the growing costs of pension systems, public health

and public education. Beyond that, the developed economies have been struggling with issues related to the environment, the rights of minorities, international migration, and social alienation. In the United States, poverty, racial discrimination, urban decay and crime are high in the agenda. Most of the former socialist countries are still learning how to live with an open economy and an open democracy. Democracy, civil and political rights are still central issues in many Asian and African countries and the Middle East. In Africa and many countries in Latin America, the main issues are still the organization of viable public administrations, which could deal with a very difficult and urgent agenda of economic austerity, inequity, extreme poverty and, as in Colombia, endemic warfare; and the elimination of race and ethnic barriers among different social groups. Throughout Latin America, a central issue has been how to turn traditional state bureaucracies into modern and efficient governments, while preserving democracy and the citizens' rights. Another way of looking at it would be to distinguish different types of agendas: political, to change and improve the “rules of the game” for political disputes and political participation; administrative, to improve the ways the public sector is organized and works; economic, dealing with the broad issues related to economic transactions, investment, taxes, currency, capital flows, foreign trade; and social, dealing with issues of social rights and entitlements.

A common misconception about the reform agendas in less developed countries is to think that they come solely from abroad, as a consequence of the globalization process, either through multilateral organizations such as the World Bank and the International Monetary Fund, or from the reform agendas developed by human rights activists and international organizations. It is true that the “Washington consensus”, discussed in chapter 6, consisted in a clear recipe for economic and institutional reform to be applied worldwide, and its also true that the international human rights agenda has helped to raise important questions and issues, like the protection of the forests and the rights of native peoples, which have been neglected for centuries. However, if we consider Latin America, by the 1970s several of the major countries were going through severe internal crises that did not have much to do with globalization, but mostly with internal processes,

aggravated by unexpected changes in the international economy – particularly the oil shocks and the increase in the US interest rates in the early 1980s. In different degrees, all countries witnessed the raising expectations and consumption patterns of the population, spurred by urban growth, the expansion of mass communications and political participation, which developed much more rapidly than the ability of the economy and the public sector to respond. Political competition in open democracies also stimulated the increase of public spending and the distribution of benefits and privileges, by extending public services, hiring more people, creating public sector companies and corporations, granting additional rights to vocal civil servants, and subsidizing the private sector. Urbanization and the expansion of mass communication reduced the political power of traditional oligarchies and opened the political arena for populist politicians, which fueled the expansion of the public sector. To pay for this, governments raised taxes and use the resources generated by social security contributions of a young and growing working population for other purposes. When these resources became insufficient, governments started to increase the public debt and to print money, leading to inflation. In the seventies, international cheap capital became available, and international borrowing compensated for the lack of internal investment and growth. In the 1980s, as international interest rates soared, the national economies broke, leading to default, currency devaluation and economic stagnation. In the context of the cold war, the distributive conflicts generated by raising expectations and limited growth often translated into right-left confrontations, provoking interventions from outside, and a series of military regimes. By the late 1970s, most of these authoritarian regimes had failed in their attempts to keep society under control and opened the way to civilian governments, which had to face again the tensions between expectations and the availability of resources, in times of general economic stagnation.

The first attempt in situations of crisis is to hope for a legal or administrative trick, the “magic bullet” that could kill inflation and institutional incompetence, without affecting too many interests. Unfortunately, or perhaps fortunately, no such tricks seem to exist, in the absence of much more profound and lasting institutional changes. A clear

example of what should not be done comes from Argentina, where a legislation establishing a fixed parity between the local peso and the dollar was heralded for a whole decade as the magic converting a problematic country into a modern economy. On hindsight, Domingo Cavallo, the economist who championed and implemented this policy, believes that it failed because of the incompatibility between the institutional prerequisites for a stable currency and the way the Argentine political system works. (Cavallo 2004). The earlier failure of the 1985 Brazilian “Cruzado Plan” can be explained along similar lines (Baer and Beckerman 1989).

From economic to social reform

Nancy Birdsall, in a recent paper, tries to put together the available information on the impact of economic reforms on poverty and inequality in Latin America, and concludes that they did not have the negative impact that is often attributed to them, but did not have positive effects either on this regard:

In summary, our preferred estimates suggest that except for financial sector reform, the economic reforms of the last two decades have not contributed to increased poverty and inequality. On the other hand, it is also the case that these reforms have not made much contribution to reducing poverty and inequality. In a sense, it is not particularly surprising that increasing reliance on market mechanisms apparently has not in itself created new income opportunities for the poor. The constraint may be the poor’s limited assets, including human capital, a constraint that market reforms alone cannot change. Financial sector liberalization in particular appears to have made the poor worse off, at least relative to the rich and the middle groups. This is also not surprising; without collateral the poor are less able to exploit liberalized financial markets (indeed the end of repressed interest rates alone may make credit more costly in the short run). In addition, new higher-yield financial instruments will help mostly those with special and diverse investment needs (Birdsall and Szekely 2003)

The goal of empowering the poor population with assets and capital, through cheap and easily available credit and legal reforms providing property rights to slum

dwellers, has been presented as a revolutionary proposal to deal with poverty, transforming each person in a micro-entrepreneur (Soto 2000). One example of such programs is the effort to extend credit to micro-enterprises in Chile, where the larger 1% of the firms contribute to 77% of the sales in the economy, and the small ones, comprehending 83% of the firms, sell only 4% of the total. However, these small firms provide 50% of the employment, and need to be supported and expanded (Román 2003). Other programs provide resources to families in extreme conditions of poverty, in retribution for some action – like keeping their children in school, or participating in public health campaigns. Examples of such programs are *Oportunidad* (formerly *Progresa*) in Mexico, *Bolsa Escola* in Brazil, and *Chile Joven* in Chile. The expectations surrounding these programs have been high, and there is a growing technical literature trying to assess their impact (Bourguignon, Ferreira, and Leite 2002; Castro 1999; Schultz 2001). There is little evidence that such programs have meaningful impact on education as such, given the fact that the monetary benefit of child work is small, and only becomes more significant for those closer to adult age. For most parents, to keep their children in school is the best possible choice, protecting them from street life and allowing the mothers to work. School absenteeism, particularly for older children, is more related to the lack of schools or their inability to teach and old the youngsters, particularly from less educated families, than to the family's economic needs. (Schwartzman 2004) In any case, the monetary benefits these programs distribute, even if small, can be important for segments in conditions of extreme poverty. At the same time, when not properly handled, such programs can easily turn into electoral instruments in the hands of their administrators.

In her paper, Birdsall suggests a chronology of four stages in the implementation of social policies in Latin America. The first phase coincided with economic expansion until the 1970s, and the policies consisted mostly in providing subsidies for goods and services, which benefited mostly the middle sectors. It was also a period of expansion of the public sector, for the free provision of education and health services. This period ends with the economic crisis of the 1980s, and the second phase is one of retraction and

absence of policies. The third period, with she dates to the mid and late 1980s, takes place when governments and international agencies start to acknowledge the persistence and in some cases aggravation of the conditions of the poor, and to put forward proposals for compensatory policies, through the creation of safety nets and mechanisms for income distribution and the focalization of the existing resources to the poorest segments of the population.

The fourth phase, dated from the mid 1990s on, is described as a series of efforts not only to distribute resources to the poor, but also to provide them with conditions to care for themselves: “having an army of unskilled workers with low wages was no longer seen as a basis for global competitiveness. Emphasis on meeting the needs of the poor continued, but with much more attention to increasing their productive capacity, consistent with the view that competitiveness in open economies required much greater investment in human capital.” (p. 13).

Elsewhere, I suggested a different classification of social reforms, in terms of three generations (Schwartzman 2003). In the first generation, resources and benefits are distributed to whoever has the ability to get organized and claim them – usually the workers in large industries, public employees, and professionals. The poorest and less organized get little, but gradually they also get organized and demand their share. This is the period where new schools, health posts and hospitals are built, public jobs are created and distributed to the political groups supporting the government, and legislation is passed providing all kinds of legal benefits and entitlements to different constituencies. The second generation starts when continuously expanding the benefits becomes impossible, and it is necessary to redistribute or even to reduce them, because of economic stagnation. Resource distribution is always a difficult proposition, since it requires to take benefits from some to give them to others; and this is much more difficult when the total amount of available resources is not growing, or, worse, is being reduced. No wonder that governments that try to engage in such policies become extremely unpopular, and are defeated in the polls.

The third generation of reforms, which is more a wish than a reality, would be an attempt to do better with the same amount of resources, by injecting intelligence and professional competence in the administration of social programs. In education, it would mean to make sure that the teachers teach properly, instead of just raising their salaries and building more schools. In health, it would mean work more on preventive medicine and primary health care; in housing, it would mean to create appropriate zoning rules, financing mechanisms and legislation to induce people to move away from illegal housing settlements like the Brazilian *favelas* and similar shantytowns. Two basic requisites for these reforms would be to establish proper rules of the game for the participation of private groups, both voluntary and for profit, in their formulation and interpretation; and to shield the public agencies in charge of these reforms from the daily give-and-take of patronage, pork-barrel politics. In areas like education, sanitation, housing, health provision and social security, it is indispensable to bring the contribution of private investment and private institutions – both profit and non-profit – according to well-established legislation and oversight. Shielding public institutions from pork-barrel politics is not easy, but has been done in many countries, in areas like education, science and technology and economic policy, and can be eventually extended to others.

Two other central components of these third generation policies are knowledge and transparency. To improve the quality of education institutions, to make the best possible use of health resources, to devise an intelligent structure for social welfare, to take care of the environment, to deal with violence and criminality, all this requires constant research, experimentation, international comparisons, and permanent assessment, which can only exist if there is a community of specialists educated in good universities, with support for their research, and the ability to move between the world of government and the world of the academy, and a well structured public service. In the last several years, the concern of international and national governments, agencies and foundations with the issues of poverty and inequality may have had, as an unintended consequence, to neglect the need to provide support for the maintenance and expansion of

good quality academic and research institutions, and this may be creating a problem, now that they are so necessary.

Transparency, in the era of the Internet, is a relatively easy goal, requiring little more than the political will to make the information on the use of resources, beneficiaries and the impact of social programs available to the public. There is a thin line, however, separating information from public relations and propaganda, and one way of dealing with this is to create oversight agencies and institutions with power and independency to get the necessary information and demand corrective action. Knowledge intensive and transparent institutions are much less likely to be run over by patronage politics and special interest groups than those that remain closed to external views and without an active knowledge community committed to their goals.

It is interesting to note that this kind of “third generation” reform does not appear in the classification proposed by Nancy Birdsall, who is less concerned with improving the quality and efficiency of the public sector than to deal directly with the population, empowering the poor in such a way that they would not need, as it were, the services of the state. One possible explanation for this is the mistrust on the ability of government institutions to improve, and a growing reliance on voluntary, community-based and other forms of organizations and institutions to carry out the tasks of social reform. This mistrust can be observed both in international organizations, which have difficulty dealing with public bureaucracies, and social movements of different kinds, which believe to be better equipped and motivated to deal with social issues than the established agencies. There are many good reasons for this mistrust, but still, it is impossible to provide basic services like public education and health care without the participation of public agencies, and, as these agencies are neglected or bypassed by other short-term, ad hoc arrangements, their chances for improvement diminish.

The political economy of the reforms

The establishment of reform agendas and their implementation is a complex political process, discussed in detail, for Latin America, in an article by Merilee Grindle (Grindle 2002). How come that social reforms of the second and third generations, requiring the redistribution of resources from established interest groups - strong losers - to poorer and less organized sectors of society – weak winner - take place at all? Simple “rational choice” theories, trying to explain the results in terms of the relative strengths of the actors involved, are clearly not adequate to explain it. In fact, the picture is always more complicated: the winners may be divided, public opinion may support change, information may be limited, and so on. Then, it is never a single game: there are negotiations, adjustments, specific interests may be protected. The other approach is of the institutionalists, who look for the relative weight of and strength of the parliament, the presidency, the political parties and other sectors. Here again, this kind of analysis tends to predict that second and third generation reforms will not happen, since they go against the interests of the more established interests. And yet, against the odds, many times these reforms do take place, and have to be explained, according to Grindle, by looking at processes, negotiations, entrepreneurship, and initiative.

To all this, I would add two elements, constraints and history. Redistributive social reforms are seldom proposed and implemented in the abstract. They come as responses to situations of crisis, when, for instance, inflation runs out of control, the pension systems put the public budget in jeopardy, urban violence becomes intolerable, or unemployment becomes too high. Public perceptions are as important as the problems themselves, and they are shaped in large part by history – the memory of past achievements and failures, and the strength of political leaders that are able to seize the moment and get public support for their ideas. In presidential systems as we have in Latin America, the first year of any government is the time to run and eventually succeed against the odds – after that, usually, vested interests take over.

Grindle proposes also a useful classification of stages in the implementation of reforms, each one characterized by the participation of specific actors: setting the agenda, designing the reforms, going through Congress for approval, implementation, and, finally, sustaining the reforms through time. Agenda setting involves small groups of intellectuals and specialists, responding to priorities set up by pressing issues, like inflation, or by issues raised by social movements, international organizations and the press, like human rights. Design is usually technical, done by specialists within ministries, sometimes with the support of international advisers and consultants. Approval is a political process, requiring support from public opinion and Congress, and hard bargaining. Implementation and maintenance depend on institutions sharing the values and having the necessary competence to deal with the issues that are the subjects of the reform. Some reforms, requiring just a change in legislation and a specific way of handling and distributing resources, are easier to implement than others, requiring profound changes in the way the public administration works. For instance, it was relatively easy for many Latin American countries to transfer the responsibility for the administration of basic education from national and regional governments to municipalities: to transform the schools from small bureaucracies into truly learning institutions, however, is proving much more difficult.

The complexities and difficulties involved in agenda setting and implementation are well-known for those involved in political life, but often ignored by specialists that still adhere to the old modernist belief on the unlimited powers of science and rationality. There are many versions of this belief. For some, everything can be solved through planning and a powerful state, ignoring the historical failures of planned economies and the political and human costs of centralized bureaucracies. In the Latin American tradition, there is still the strong belief that what matters is to get the proper legislation, granting rights and entitlements, limiting powers and establishing how much should be spent on what. More recently, the idea of institutional reform started to get support – changing the party systems, creating regulatory agencies, reforming the judiciary,

decentralizing power, and redistributing the responsibilities of central governments, states or municipalities.

In fact, no meaningful reform can be implemented without some combination of these elements – institutional reform, changes in legislation and improvement in the government's ability to plan ahead. They will not work alone, or not at all, however, if they are not part of deeper changes in the values and attitudes of the population, and the daily workings of political life. This does not mean that moral and behavior reforms should come first, through some kind of preaching or public opinion campaign. Public attitudes, values and perceptions may change quickly when external conditions change – as it happened in Brazil with the end of decades of military politics in the 1980s, and the end of inflation in the 1990s. Social reform requires knowledge, but it is mostly art – the art of identifying priorities and the ability to communicate their urgency and importance to society.

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Poverty, Social Exclusion and Modernity

Simon Schwartzman

10. Modernity, post-modernity, development and democracy

The clash of civilizations?

The problems brought by the modernization agenda and its new face, globalization, have led many people, and whole countries, to try to reject the modernization project as a whole, and look for alternatives; and led scholars like Samuel P. Huntington to believe that we are entering a new era of cultural warfare, in which the future of Western civilization is at stake (Huntington 1997). In a recent article in *The New York Review of Books*, Ian Buruma and Avishai Margalit recall the naïve modernist dreams of Theodor Herzl, the founder of Zionism, who believed that, with the creation of the State of Israel, Jerusalem would become a modern paradise, driven by the superior technology and rationality of well-educated European Jews. As they say,

This is the kind of stuff that filled Chinese and Soviet publications in the 1960s, the idea that human happiness could be bought with foaming turbines and bumper harvests, that nothing so irrational as religious, or national, or ethnic pride would stand on the way of the mighty roar of modern progress and that ‘primitive’ peoples would be only too happy to be taken in hand by more enlightened races marching towards a glorious future. These dreams turned out to be fraudulent. Herzl could still express them innocently (Buruma and Margalit 2004).

One may ask to what extent the Israeli nightmare was caused by the unexpected resistance of “irrational” - national, religious and ethnic - feelings to foreign culture, or by the sufferings and frustration brought about by years of war, daily attrition and social discrimination against the Palestine population. History is full of examples of people from different cultures and religion that coexist in peace, and of bloody ethnic conflicts that seem to appear from nowhere. Usually, ethnic and cultural conflicts come together

and are inseparable from economic and social issues of different kinds. The fraud in the Modernist utopias expressed by Herzl and the Soviet, Chinese and American propagandists reside perhaps less in the belief of the goodness of modern technology and rationality, and more in ignoring or masquerading the enormous social costs brought about by the forceful introduction of Western economic and political institutions in other societies. As Buruma and Margalit so aptly say, the reaction against the West in the Muslim and other parts of the world is not truly anti-Western, but, on the contrary, makes use of Western ideas, including the worst side of the brutality and violence that have so often accompanied modernization in its different incarnations. “What should be clear”, they conclude, “is that we have not been witnessing the Manichaean history of one civilization in war against another. On the contrary, it is a tale of cross-contamination, the spread of bad ideas. This could happen to us if we fall for the temptation to fight fire with fire, Islamism with our own form of intolerance”.

“The end of history”: modernity or post-modernity?

Ethnic, cultural, religious and racial conflicts have always existed, but, throughout the 20th century, they tended to be perceived as residual problems, to be overcome by the development of modern science and rationalism, whether on its capitalist or socialist versions. In the 1990s, after the fall of the Soviet block, some authors believed that, with the end of the Cold War and the illusions of nationalism and planned economies, modernity - meaning markets and liberal democracy – was finally being recognized as the only possible and meaningful social arrangement, soon to be adopted by all. For others, the triumph of capitalism was received with frustration and dismay. For generations, socialism had presented itself and convinced many as being the only possible alternative to the havoc and destruction created by capitalism, but now the ugly face of totalitarianism and state centralism became too obvious to deny. For both, the conclusion was that History and modernity, as understood until recently, had come to an end, and we were entering a new era of post-history and post-modernity.

It would be impossible to reproduce here the enormous, complex, controversial and often opaque literature of *posthistoire* and postmodernism that emerged among German and French intellectual circles in those years, and contaminated the departments

of history, literature and sociology in the American universities later on¹. We would not be too wrong to say, however, that all this intellectual movement was a reaction against the notion of History as developed by Hegel in the late 18th century. Hegel postulated that History had a sense and a direction, and that this direction was characterized by the development of rationality and the gradual mastery, by mankind, of its own destiny. The notion that history had a direction and a purpose was adopted by all the evolutionist authors of the 19th century, including Auguste Comte and Herbert Spencer, and the embeddedness of knowledge in history was synthesized by the young Karl Marx in the famous “Theses on Feuerbach”.

From the Thesis on Fuerbach (Marx 1845)

Thesis II - The question whether objective truth can be attributed to human thinking is not a question of theory but is a practical question. Man must prove the truth — i.e. the reality and power, the this-sidedness of his thinking in practice. The dispute over the reality or non-reality of thinking that is isolated from practice is a purely scholastic question.

Thesis VIII - All social life is essentially practical. All mysteries which lead theory to mysticism find their rational solution in human practice and in the comprehension of this practice.

Thesis X - The philosophers have only interpreted the world, in various ways; the point is to change it

History, for Hegel and Marx, was the long process through which humankind (or “the Absolut Spirit”, as Hegel would say) struggled to overcome alienation and encounter itself again in a society in which humanity and nature, rationality and reality, would then become one and the same thing. This would be the End of History, the “Omega point” of humankind, as described by a more recent evolutionist, the mystic anthropologist and

¹ The origins of the term “posthistoire” are obscure. Although it is a French word, it has been used mostly in Germany, as *das Posthistoire*. See (Niethammer and Laak 1992) On the use of the concept among historians, (Hause 1996) For an attempt to respond to Fukuyama from a Marxist point of view, (Bertram and Chitty 1994)

priest Teilhard de Chardin (Teilhard de Chardin 1959). For Hegel, history ended precisely in 1806, with the defeat of the Prussian army by Napoleon in the battle of Jena. For Marx, history would end with the triumph of communism.

For Francis Fukuyama (Fukuyama 1989, 1992) Hegel had been right all the time, even if it took almost two centuries for humankind to realize it: there is no ideological and intellectual competitors to modernity, as expressed by the values and ideals of the French and American revolution, which Fukuyama describes in terms of “liberalism”. This does not mean, of course, that all the problems brought about by modernity and liberalism have disappeared, or that the liberal society cannot be threatened. But the existing problems and threats, associated with extreme individualism and the conflicts for power and recognition, are part of modern liberal societies themselves, and do not represent the challenge of competing worldviews. It is now the time of “post history”, or *posthistoire*, in which the grand ideological debates and struggles for the definition of the evolution and organization of society are replaced by a myriad of individual and segmented actions, the assertion of group identities, and the management of localized problems and conflicts.

The pessimist version of *posthistoire* is postmodernism, prevalent in literary circles, but also among philosophers and social scientists. The end of the grand ideological conflicts are not seen as meaning the triumph of rationality and modern civilization, but, on the contrary, as the recognition of their failure. In the past, one of the main task of intellectuals was to understand the meaning of events – be they literary products or historical episodes – in terms of their relationships with the “grand narratives” of historical evolution and ideological struggles. Now, the only task left was to show the illusions under these intellectual constructs, through their systematic questioning and deconstruction.² There is nothing new, of course, in the criticism of the pretensions, arrogance and destructive effects of modernity, but, in the past, this criticism

² On postmodernism and its impact on American historiography, see (Zagorin 1999) For postmodernism in literature, (Brugger 2001)

was usually done on behalf of alternative views of past or future utopias; what may be truly new in postmodernism, perhaps, is its nihilism.

The triumphalist tone of the 1989 paper by Fukuyama would not survive the publication of the argument in book form in 1992. By then, the thesis of the “end of history” was combined with a complicated discussion on the nature of “the last man”, which led the author to question whether liberal democracy, as practiced in the Western capitalist societies, was really a durable and self-sustaining arrangement. The satisfaction of material needs and the assurance of individual freedom and rights are very important, but, will people be satisfied with that? No, says Fukuyama. People are always seeking “recognition”, an assertion of their worth and prestige, which leads to permanent dissatisfaction and change:

Following Nietzsche's line of thought, we are compelled to ask the following questions: Is not the man who is completely satisfied by nothing more than universal and equal recognition something less than a full human being, indeed, an object of contempt, a "last man" with neither striving nor aspiration? Is there not a side of the human personality that deliberately seeks out struggle, danger, risk, and daring, and will this side not remain unfulfilled by the "peace and prosperity" of contemporary liberal democracy? Does not the satisfaction of certain human beings depend on recognition that is inherently unequal? Indeed, does not the desire for unequal recognition constitute the basis of a livable life, not just for bygone aristocratic societies, but also in modern liberal democracies? Will not their future survival depend, to some extent, on the degree to which their citizens seek to be recognized not just as equal, but as superior to others? And might not the fear of becoming contemptible "last men" not lead men to assert themselves in new and unforeseen ways, even to the point of becoming once again bestial "first men" engaged in bloody prestige battles, this time with modern weapons? (Fukuyama 1992)³

³ For a discussion of the philosophical sources and influences of the concept of “recognition”, including Hegel, his interpretation by Alexandre Kojève and the conservative views of Leo Strauss, see (McCarney 1994)

Social Capital

Liberal democracy and market capitalism were not considered sufficient to counteract these deep trends. For this, it was necessary to develop and maintain strong social and cultural ties among people, based on the communality of values and beliefs, and, perhaps, on the acceptance of restraints in one's natural drive for assertiveness and recognition. This would be the subject of a subsequent book by Fukuyama, *Trust* (Fukuyama 1995). In this book, he noted the decay of American traditional institutions and its related values, in comparison which much stronger civic institutions he identified in Japan and other Asian societies. The examples of some Asian countries – more notably Japan, Singapore, Korea, Taiwan, and, more recently, China – led many authors to write about the existence of an “Asian way”, or “Asian values”, that would be superior to the Western model as practiced in the United States, with less individual freedom and less concern with democracy, in exchange for more material benefits and stability. This alleged superiority of the “Asian model” was challenged, in economic terms, by the crisis that affected many of these countries in the late nineties, which has been attributed to the very institutional arrangements that explained their previous success – strong and heavy public bureaucracies, promiscuity between public institutions and private interests, high-level corruption – in other words, by the absence of strong markets and democratic institutions; and, in places like Korea, Taiwan and the Philippines, by strong anti-authoritarian political movements. China, today, is the most significant incarnation of this Asian model, with its combination of impressive economic growth, adoption of Western technology, rigged markets and political authoritarianism. This is how Ian Buruma, writes about today's China:

Status, stability, patriotism, and wealth, then, have proved to be sufficient reasons for the growing middle class to accept a paternalistic, authoritarian form of capitalism without much protest. The fact that any form of organized protest in China would immediately lead to heavy punishment is, of course, another ground for political obedience. The big cities of China are really monuments to this kind of modern society—technocratic, affluent, but politically, as well as intellectually, sterile. It hardly needs to be pointed out that foreign businessmen are happy with this state of affairs. Dealing with corrupt officials may be tiresome, but that can be left to middlemen. And blessed is the absence

of awkward trade unions, opposition parties, political dissent, and other messy manifestations of more democratic societies. (...)

The establishment of a liberal democracy after the Communist Party finally loses its power cannot be ruled out. But more violent, less liberal solutions remain more likely. None of them will be pleasant, and all of them will be dangerous. Then again, things might simply remain the same, and China, as a continent-sized Singapore, will be the shining model of authoritarian capitalism, saluted by all illiberal regimes, corporate executives, and other Public Relations men for an emasculated, infantilized good life: the whole world as a gigantic theme park, where constant fun and games will make free thought redundant (Buruma 2003).

This issue of “trust” is related with a much older line of concern with communal life, social bonds, family ties and intermediate, grass-roots institutions and organizations that has a central place in the sociological and political science traditions, and can be traced back to Alexis de Tocqueville, and is present in the works of Émile Durkheim, Karl Polanyi, and, more recently, Edward Banfield, Orlando Patterson, and Robert D. Putnam, just to mention a few in a very long list.

Visiting the United States in early 19th century, Alexis de Tocqueville wrote about the dense communal life and the wealth of “intermediate institutions” that seemed to explain the dynamism of this new society. At the end of the century, Ferdinand Tönnies developed the notion of two main types of human associations, *Gemeinschaft* and *Gesellschaft*, the first based on feelings of togetherness and belonging, the other based on instrumental goals, Émile Durkheim, writing some years later, talked about “solidarité mécanique”, based on similarities among individuals, and “solidarité organique”, based on the division of labor, which required the elaboration and maintenance of a civic culture through education. Max Weber followed the lead, with his distinction between “communal” vs. rational forms of social action. In the fifties, Talcott Parsons talked about the functions of integration and pattern maintenance that should exist in any well-functioning, modern social system (Parsons 1991; Durkheim and Simpson 1933; Tönnies and Loomis 2002; Tocqueville and Bender 1981)

The main novelty in subsequent years, perhaps, was to fill these early insights with empirical investigations. Writing in the 1950s, Edward Banfield anticipated many of

the themes that would appear again in more recent texts (Reis 1994; Banfield 1958). People in small agrarian communities in Italy, he found, held strong family ties, cultivating values of solidarity, loyalty and trust, but their ethical behavior did not apply to those outside their extended families: they were “amoral familists”, and this precluded the establishment of trustful relationships of business and cooperation with the larger social community. Subsequent research showed that this broader “civic culture”, which would transcend the boundaries of local families and reach the broader community, was more typical of the advanced capitalist societies (Almond and Verba 1963).

This belief on the superiority of Western social life, however, would not resist the growing evidence about the disintegration of the nuclear family, the spread of the drug culture, the intellectual ravage created by the mass media, and other symptoms that seemed to point to a rapid and uncontrolled deterioration of civic culture in the United States and Western Europe. Robert Putman, in *Bowling Alone*, provided extensive documentation on the collapse of American community institutions, and ended his book with a (perhaps naïve) plea for a renewal of American civil institutions, based on the strength of individual good will:

So our challenge is to restore American community for the twenty-first century through both collective and individual initiative. I recognize the impossibility of proclaiming any panacea for our nation’s problems of civic disengagement. On the other hand, because of my experience in spearheading in recent years a concerted nationwide conversation modeled on the intensive interchange among scholars and practitioners in the Progressive Era, I am optimistic that, working together, Americans today can once more again be as civically creative as our Progressive forebears (Putnam 2001).

Culture and poverty

Few would deny the importance of “social capital” for the explanation of differences in economic achievement and social and political conviviality between social groups and communities, but the concept itself remains elusive, and used often in a “post-hoc” mode: if the results are what we want them to be, we look for the “social capital” that presumably explains the outcome. Banfield believed that the Italians had plenty of social capital, but of the bad type, since it kept them isolated in their families. American-

type local institutions, however, were considered of the good type. Putnam distinguishes “bonding capital”, which keeps people together, from “bridging capital”, which enables them to relate to the outside world. Authors who have studied the gender differences in Afro-American communities find that women tend to develop strong bonding links, which helps them to cope with the situations of poverty and isolation, but do not seem to translate this capital into resources to overcome their predicament.

The notion that poverty is somehow associated with cultural values and institutions that limit the ability of some groups and societies to reach out and make use and benefit from the modern, market-oriented economy is widespread, and also very contentious. We have seen how this view is present in Naipaul’s interpretations of India, and in Octavio Paz’s interpretation of Mexico. In the early sixties, Oscar Lewis published “The Children of Sánchez”, an anthropological study of poverty in Mexico that would generate a large sequel of related work; and, in the United States, Patrick Moynihan led the major study on black poverty which tried to explain it through the characteristics of Afro-American families, with the dominant role of mothers and the disengagement or absence of the fathers (Lewis 1961; United States Department of Labor Office of Policy Planning and Research 1965; Moynihan and Schelling 1969). Independently from the validity or not of the findings in these studies, they came under fire as examples of trying to “blame the victims” for their problems and difficulties, following Malthus and the liberal writers of the 19th century, without taking into account the structural and institutional conditions that denies them their rights and opportunities.

Institutional conditions and discrimination are not enough, however, to fully explain the different abilities of some groups to improve their conditions. One of the most notorious correlates of the situation of isolation and deprivation of the Afro-American communities is the “test-score gap”, very well documented for the United States, and also present in Brazil and other societies. In their introduction to a collection of articles on the subject, Christopher Jenks and Meredith Phillips note that

African Americans currently score lower than European Americans on vocabulary, reading, and mathematics tests, as well as on tests that claim to measure scholastic aptitude and intelligence. This gap appears before children enter kindergarten, and it

persists into adulthood. It has narrowed since 1970, but the typical American black still scores below 75 percent of American whites on most standardized tests. On some tests the typical American black scores below more than 85 percent of the whites.”

They go on saying that “the gap shrinks only a little when black and white children attend the same schools”, or when black and white families have the same amount of schooling, the same income, and the same wealth” (Jencks and Phillips 1998). The controversy about this evidence has been particularly bitter, among other things because of the tendency of some authors to explain these differences in genetic terms. In the concluding chapter of the Jenks/Phillips volume, sociologist William Julius Wilson points to a better way of trying to understand and deal with the issues, without blaming the victims, looking from genetic or racial explanations, or trying to disqualify and dismiss the evidence. A central problem, he notes, is related to the individualistic framework that underlies most of these studies on educational and intellectual achievement:

The individualistic framework is not designed to capture the impact of relational, organizational, and collective processes that embody the social structure of inequality. Included among these processes are the institutional influences on mobility and opportunity; the operation and organization of schools; the mechanisms of residential racial segregation and social isolation in poor neighborhoods; categorical forms of discrimination in hiring, promotions and other avenues of mobility; ideologies of group differences shared by members of society and institutionalized in organizational practices and norms that affect social outcomes; unequal access to information concerning the labor market, financial markets, apprenticeship programs, and schools; the activities of employers’ associations and unions; government policies regarding taxation, service, investments, and redistribution; and corporate decisions concerning the location and mobility of industries (Wilson 1998),

The roles of history and institutions

Another approach is to look for the historical origins of current conditions. Past history do not fully determine current attitudes and behavior, which depend also on the present institutional environment and the freedom each person has to choose his or her own destiny. History, however, provides people with specific repertoires of role models,

behavior patterns, values, language and world views that are acquired since early childhood, and condition the choices which are available to most. In part, to think in historical terms is to have a deterministic view of the human condition: you are what you inherit from your ancestors. History, however, can have the opposite, liberating effect: it helps to understand the reasons and origins of present predicaments, showing that other alternatives and experiences are also possible, and opening the way for change. This is analogous to the purpose of psychoanalysis – to make sense of feelings, attitudes and behavior that otherwise seem to come from nowhere, allowing people to cope with their past and to move on. This is also the approach taken by Orlando Patterson in his study of the Afro-American family, expanding the early findings of the Moynihan studies, and combining a historical interpretation on the impact of slavery with the more recent predicaments of social isolation and discrimination in the Afro-American family life. As he states,

I have no doubt that urban ghetto life and economic deprivations are *necessary* factors contributing to an explanation of the Afro-American problems of gender and family relations. But they cannot be sufficient. Something else must be at play. Something that runs deep into the peculiarities of the Afro-American's own past. In searching for it, we are inevitably led back to the centuries-long holocaust of slavery and what was its most devastating impact: the ethnocidal assault on gender roles, specially those of father and husband, leaving deep scars in the relations between Afro-American men and women (Patterson 1998).

History is essential to understand the creation and transformation of institutions, which play a central role in the shaping of societies and individual behavior. There is a long-standing tension in the social sciences among authors who think on society as based on institutions (organizations, laws, values) that condition and limit the behavior of individuals, and those who think in terms of individual rational choices as shaping institutions through the negotiation of their preferences. In sociology, this opposition is usually portrayed in terms of the different traditions stemming from Georg Simmel or Émile Durkheim; in economics, as the opposition between the Austrian and the German Historical schools. In recent years, economists have started to look with growing interest to institutions and elusive socio-psychological variables such as attitudes and

expectations, while sociologists and political scientists take more seriously the role of the economy and individual choices in the shaping of sociological and political institutions⁴.

This current interest in history and its effects on institutions among economists is well described in a recent review article by Karla Hof (Hof 2003). The starting point is the fact that old colonies that were economically prosperous five hundred years ago – including Mexico, Peru and Brazil - are among the “underdeveloped” or “developing” today, not being able to engage fully in the industrial and political transformations that benefited other, less promising colonies of the past - The United States, Australia, New Zealand:

In simplest terms, the thesis put forward persuasively in recent work is that the factors that made these European colonies relatively wealthy in 1500, 1600, or 1700 also made possible a colonization strategy that created or perpetuated stark inequalities in wealth and political power – a strategy whose legacy is institutions that made these areas ill-suited for modern economic growth (p. 206).

In practice, the research summarized by Karla Hof refers mostly to institutions that the former rich colonies lack, in comparison with those that exist in the developed economies today. In the old rich colonies, wealth concentration was high, and that “led to societies where the majority of the population could not vote, own land, or obtain education for hundreds of years. Nor, as Acemoglu, Johnson and Robinson (2002) emphasize, could they enjoy effective protection from expropriation of their property”. (Hof 2003; Acemoglu 2003; Acemoglu, Robinson, and Johnson 2001)

This was precisely the subject of my 1973 dissertation work, in which I discussed the different and contradictory development paths of countries coming from past feudal or neo-patrimonial political and economic structures. Nor was this truly original, since the inspiration was an interpretation of the classic work of Max Weber on the development of modern, rational-bureaucratic societies:

⁴ For the differences and approximations between economics and sociologists, see (Swedberg 1990)

The contractual nature of the feudal order seems to be a powerful explanation for the correlation that exists between past feudal experiences and contemporary modern capitalist and democratic societies. Machiavelli is known for the deep difference he said to exist between two main forms of political organization of states, "the Prince and his barons" and "the Prince and his subjects", that is, feudal and patrimonial arrangements. With the growth of the cities and the development of the crafts in feudal societies, contractualism was also adopted to regulate the relations between these new social actors and the Prince, or the Church. This was certainly one important road to modernization, but what happened with societies which did not have a feudal past? Have they failed in the constitution of their nation-states? Have they failed to modernize? Or, if they succeeded, in what sense did they do it? Did they have somehow to incorporate in their societies the contractual component that did not exist in their historical heritage? (...)

From the perspective of five centuries ago, the old patrimonial empires were certainly much more "modern" and developed than the feudal societies which existed throughout Western Europe. From China to Turkey and the Iberian countries, they had the largest cities, the strongest armies, the most sophisticated scholars, the best fleets, the more advanced technologies and the most complex administrative organizations. (...)

The old patrimonial empires did not resist the historical onslaught the emerging European nations, endowed with two fundamental components of modernism, capitalism and empirical knowledge. They were not, however, destroyed or forced to adopt the Western European patterns of social, political and economic organization. The old patrimonial empires, or their inheritors - China, Russia, the Arab countries, Latin America - carried on in their own ways. They are certainly part of the modern world today; but, in many ways, they are probably as different from the Western European type states now as they have ever been in the past (Schwartzman 1988)⁵

Modernization, poverty, and the construction of a better future

History and culture are very important to protect us from two opposite, extreme and negative propensities of policy makers: to believe that societies cannot change, or to believe that they can be easily changed by the imposition of one's will. They should also

⁵ See also (Schwartzman 1973, 1988)

protect us from the self-righteous temptation to believe that “our” society, culture and values are superior to that of “others”, or that all social issues can be reduced to questions of moral and ethical preferences –with our principles, of course, being the best.

This awareness of the weight of history and culture should not lead us, however, to nihilism and hopelessness. The modernization agenda, established perhaps at the end of the middle ages, is still very much with us, and is not likely to go away. We be so naive about the notion that history has a destiny, or that the light of science will inevitably prevail over the darkness of ignorance or superstition, as so many used to believe until recently, and perhaps still do. But the experience of the last few centuries, and the large amount of research and scholarship developed to understand and explain the different fates of peoples under the onslaught of capitalist development and the advances in technology, are the only resources we have to deal with the old and new challenges we have to face. Paradoxically, the notions that history has come to an end, that modern science and technology have failed us, or that the very notion of progress is outdated and obsolete, become stronger precisely when globalization is tying more and more people together in a common destiny, when environmental decay emerge as a common challenge, and when we have more material and intellectual resources to deal with the issues of poverty, social exclusion and deprivation than ever before. To be modern, in essence, is not to give up on the attempt to use what we have to face the issues, but try to understand them, and to change reality for the better. In this sense we all are, or should be, modern.

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